

NEWS SUMMARY

**Smith to appease orster**  
Prime Minister Mr. Ian Smith will try to patch up his rift with Mr. John Vorster, reached a new low point after his TV gaffe last week. The South African leader, who arrived in London today, is expected to put on Mr. Smith to take a conciliatory line, involving concessions to the African leaders, so as to avoid a settlement in the Rhodesia issue. Mr. Smith will not be seen at the airport, but will be in the company of the South African ambassador, who arrived last week. Back Page

**Heating oil may go up 5p a gallon**  
OIL COMPANIES are expected to start applying to the Price Commission for price rises this week, following the fall of the pound and the OPEC increase. They are likely to put the emphasis on heating oil, with an increase of 5p, while petrol and fuel oils will go up 3p-5p. Back Page

**SDN men**  
The Minister last night to meet representatives of the Scottish Daily News, co-operative to explain a Government is refusing to accept a further injection of money beyond the £12m loaned. The meeting is expected to take place on Monday. Back Page

**UK-W. Europe pay comparison**  
AVERAGE PAY for a skilled manual worker in the U.K. is lower than in all countries in Western Europe except Austria, Spain and Portugal, while only Denmark and Norway have higher taxation, according to the CBI. Page 3

**British to be reconstructed**  
Kohjin has been given permission to reconstruct itself under Japan's Corporate Rehabilitation Law. The textile company, which collapsed in August with about £240m. debts set a record in Japanese business failures. Back Page

**MP fled**  
An anti-abortion rally in London last night was disrupted by a personal statement by a Member of Parliament. The Speaker's Commission about his absence a year ago. Page 4

**People and places**  
People were arrested when demonstrators carrying a banner to the cathedral during the protest at the Catholic Church's involvement in the campaign to restrict abortion. An anti-abortion rally in London last night was disrupted by a personal statement by a Member of Parliament. The Speaker's Commission about his absence a year ago. Page 4

**Companies**  
TRAMMELL CROW, the U.S. developer, hopes to start building a trade mart next year in the Surrey Docks site in London which would allow buyers to see a wide selection of textiles, furniture and tableware in one place. Page 4

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Government-Bank disagreement

Money supply rise background to rift over public spending

BY WILLIAM KEEGAN AND MICHAEL BLANDEN

AN ACCELERATION in the growth of money supply in the U.K.—shown by new figures published this morning—helps to explain the rift between the Government and the Bank of England over the public sector's financing problems. The rift first became publicly apparent in last Thursday's speeches by Mr. Denis Healey and Mr. Gordon Richardson at the Mansion House.

In his speech on Thursday, Mr. Richardson, the Bank Governor, made it plain that he was concerned about the trend of money supply, and in particular about what he termed "the underlying reason" for the pace of monetary growth—namely, the size of the public sector borrowing requirement.

To-day's figures show a 2.3 per cent. jump in money supply (as measured by the M1 definition, to include notes and coins in circulation plus bank current accounts) between mid-August and mid-September.

They indicate that the growth of M1 has accelerated to something over 30 per cent. a year, significantly faster than the rate recorded in the first six months of 1975.

At the same time, the wider definition of money supply (known as M3, and including all bank deposits, not just current accounts) also appears to have begun rising faster than is entirely consistent with the phrase "rather adequate restraint" which Mr. Richardson applied to earlier M3 data. Compared with an increase of 10 per cent. in the past year, M3 has risen at an annual rate of over 14 per cent. in the last three months.

The Bank, as the body which issues and manages the nation's currency, is showing increasing concern in its public pronouncements about the difficulties of financing the public sector's borrowing requirements, now widely taken to be at least £12bn. for the current 1975-1976 financial year, against the original Budget estimate of £8bn.

It is possible to read two major sources of concern between the lines of the Bank's recent statements on the way the public sector's finances are moving.

One is the sheer escalation of the Government's financing needs. While certainly not raising for "savage" short term cuts in public spending during a mounting recession, the Bank is evidently perturbed by the pace at which public spending runs ahead of estimates and, for that matter, intentions.

It is very concerned about the immediate problem of continuing to finance the public sector deficit in non-inflationary ways, after a period during which the banking system's reserve assets have been greatly swollen by the heavy purchases of Treasury bills in recent months.

Already, monetary economists would argue that the rate of expansion of M1 is inconsistent with the Government's declared intention of reducing the inflation rate to 10 per cent. or less by the end of next year.

A second source of worry is the medium-term outlook. There are those who believe that the public sector's financing situation is controllable, provided that the Government means what it says in the promises—repeated by the Chancellor last Thursday—that the volume of public spending in real terms will be reduced in 1976-77, and show little or no growth in the two subsequent financial years. But the track record of official public spending forecasts is not wholly reassuring on this point.

It is known that if the Government finally decides to approach the International Monetary Fund for a loan, the Fund will place much emphasis on the growth of "domestic credit expansion"—broadly the increase in the money supply which would have taken place without recourse to overseas borrowing.

This has been expanding at well over 30 per cent. a year and there are those in Whitehall and the Bank of England who would like the Government to be paying more attention to DCE anyway, whether or not a DCE drawing is made.

In the face of all this concern, Mr. Healey, Thursday, gave the impression that he expected the public sector borrowing requirement to rise next year, referring specifically to

Concorde 'twice as noisy' claim

By Michael Donns, Aerospace Correspondent

A REPORT that Concorde's take-off noise is more than twice that of the loudest subsonic aircraft using Heathrow airport will be considered to-day by the Greater London Council's planning committee.

Concorde, says the report, is up to six times as noisy as quieter aircraft such as the Trident, which may be the most used aircraft in the 1980s.

Mr. Norman Howard, planning committee chairman, said: "We can all be proud of the universal technological achievements of the aircraft industry which has made Concorde a world-beater, but the industry must redouble its efforts to reduce noise to an acceptable level."

The report indicates that Concorde could exceed Heathrow noise limits on 80 per cent. of its take-offs. This compares with an estimate of 70 per cent. contained in a Department of Trade report. Noise on landing would be nearly three times that of the new, quieter, aircraft being introduced.

In the U.S., the Federal Aviation Administration is believed to have sent the Department of Transportation its final "environmental impact statement" on Concorde.

Cautious

The report is believed to be broadly favourable in that it rejects criticisms of ozone and radiation damage, but to take a cautious line on such matters as airport noise.

The report was compiled before the detailed results became available of the noise monitoring at Heathrow during Concorde's route endurance programme in the summer.

Reports from Washington suggest that while the Heathrow noise figures have been seized upon by anti-Concorde lobbies, especially those round Kennedy Airport, the Government is taking a more cautious view.

The caution is not because it disputes the noise figures, but because what may be considered undesirable socially at say New York airport appears to have less importance at say Dallas-Fort Worth, Texas, which says that it wants Concorde.

There is also the political aspect. What would happen to relations with the U.K. and France if the U.S. were to ban Concorde solely because of noise?

The U.S. appears to be moving towards a compromise in which it may allow Concorde to fly into Washington's Dulles Airport, owned and run by the FAA, and any other airport that is willing to have it for a probationary period.

Other airports would be free to reject the aircraft until a decision could be made on its social impact.

Mrs. Castle angered by doctors

BY ROY ROGERS AND DONALD MACLEAN

AS THE country faced the threat of national industrial action by junior doctors next month over the question of overtime pay, Mrs. Barbara Castle, Secretary for Social Services, yesterday accused doctors of making a personal and almost political attack on her.

To-day, Mr. Harold Wilson, Prime Minister, is to make a Commons statement on the proposed inquiry into the National Health Service.

Junior hospital doctors in several parts of the country are already staging industrial action. Several London hospitals and about 40 in the North West are expected to be hit by a ban on all but emergency duties from to-day with junior doctors at two Stockport hospitals staging a complete 24-hour stoppage also to-day.



Mrs. Barbara Castle: Doctors are making a personalised and very near political attack on me.

These measures are being taken as doctors await the outcome of ballots of all 18,000 to assess the support for official action if the Government does not improve overtime payments.

A weekend meeting of delegates representing the smaller Junior Hospital Doctors Association set a time limit of four weeks, after which they would consider implementing contingency plans for nationwide industrial action short of striking.

This more militant group has led the opposition to the new doctors' contracts which were originally accepted reluctantly by the BMA but subsequently rejected because of the limitations of the Government's counter-inflation pay policy, they would have meant a cut in earnings for about one-third of doctors.

Speaking on London Weekend Television's Weekend World programme, Mrs. Castle said she did not like the structure of the health service. "But instead of co-operating with me in constructive discussions as to how we might perhaps improve that structure," she said, "the administrative hierarchy of doctors were 'turning it into a personalised and very near political attack on me'."

If she was convinced that by standing down in favour of a more acceptable health Minister she might secure the support of the BMA, Mrs. Castle would do so, but that was not what the Government or the Labour Party in the House of Commons was asking her to do.

Support for Mrs. Castle had earlier come from Mr. Edward Short, deputy leader of the Labour Party, who told his Newcastle Central constituents on Saturday: "I think the country should know that every major decision Barbara Castle has taken had the support of her Cabinet colleagues."

Vital talks on Saudi funds, arms deal open to-day

BY MALCOLM RUTHERFORD

THE BRITISH Government will make every effort to persuade Crown Prince Fahd of Saudi Arabia to keep Saudi funds in London when he arrives for a three-day visit to-day. There is also the possibility of a major arms and technical co-operation deal and, just conceivably, of a straight Saudi loan.

The Prince, who is the effective ruler of his country, will be accompanied by leading members of the Saudi Cabinet. He will be feted almost throughout his stay by Mr. Harold Wilson and senior British Ministers, including Mr. Denis Healey, the Chancellor of the Exchequer. He will also attend lunches given by the Queen and Mr. Gordon Richardson, the Governor of the Bank of England.

One of the most urgent questions from the British point of view is to persuade the Prince and his team of the case for retaining funds in London. This is likely to be done by explaining the present incomes policy and stressing the Government's determination to pursue it. Total Arab oil funds in Britain are now worth around £2.5bn. of which a large proportion must be Saudi.

The Saudis, for their part, are interested in arms and the transfer of technology and technical experts. Their interest in arms could lead to a large-scale Anglo-Arab deal involving considerable sums in pre-payment, which in turn would help finance the British balance of payments deficit.

The Saudis are the main source of funds for the recently created Arab Military Industrialisation Organisation, whose members also include Egypt, Kuwait, Qatar and the United Arab Emirates.

It has an initial spending capital of just over £1bn. and its purpose is not only to buy arms, but also to establish an armaments industry in the member countries within the next two or three years.

Negotiations with a number of British companies are already under way and were discussed at the political level when Mr. Fahd, visited London earlier this year. These will be continued when the Egyptian President, Mr. Sadat, pays an official visit early next month, but it is the Saudis who will have much of the final say over financing. It is already known that the British Government has been urging that a large part of any deal should be paid for in advance.

The Saudis, however, are insistent on the supply of large numbers of technical personnel, not just for building an arms and armaments industry, but also for education and other civil projects. The size of any deal with Britain is likely to depend on how far Britain can meet these demands. West Germany has already shown itself reluctant to do so.

There has been intermittent talk of a straight Saudi loan ever since Mr. Healey visited the country at the end of last year, and certainly Saudi Arabia is in a position to provide it. But the problem here is interest rates.

The oil producers have so far tended to lend to developed countries only at market rates. This could involve paying around 8-10 per cent. for a medium-term loan, whereas British resort to the International Monetary Fund would cost only 4-6 per cent.

A large pre-payment for an arms and technical co-operation deal, however, would overcome this obstacle and would undoubtedly be welcomed by the British Government at this stage.

Lords to hear new amendments on protection of Press freedom

BY RICHARD EVANS, LOBBY CORRESPONDENT

THE PROSPECT of a major constitutional conflict between the Government and the House of Lords over Press freedom and that if Lord Goodman and his supporters prevent the Bill becoming law in this session, the Lords must face the consequences.

In his latest amendments, Lord Goodman hopes to reconcile the Government's determination not to make special statutory provision for Press freedom with the desire of many peers and editors to ensure that the Bill does not erode Press freedom.

He accepts the idea of a charter as the principal safeguard of Press freedom and his amendments seek to spell out exactly what the proposed charter should cover. This includes the right of a journalist to belong to the union of his choice and the right of an editor not to join a union.

He has, however, added two provisions to the charter which are likely to be at the core of the argument between the peers and the Government. These insist that the charter should in no way interfere with the common law right to work and breaches of the charter "shall be deemed to be a breach of public policy."

Lord Goodman said last night that this would ensure that journalists had the right to protect themselves by legal means but no new legal tort was involved. In his view, the amendments should be acceptable "to anyone not totally obsessed by any legal remedy."

He accepted that the new amendments were less likely to be provocative to Mr. Foot than his original proposal for a statutory Press code.

If the amendments are accepted, a "crisis averted" as he will provide for a Press charter to give "practical guidance" on a range of issues including: the avoidance of improper pressures to distort or suppress news; the right of editors to commission or refuse to publish any material, and the assurance of access to the Press for all contributors at all times subject only to editorial discretion.

If an amendment cannot be reached between the Government and the Lords, Ministers have the power to invoke the 1949 Parliament Act, restricting the Lords' powers to delay legislation. A new Bill could become law by January, 1976.

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LOMBARD

# Détente—proof of the pudding

BY C. GORDON TETHER

ONE OF the less publicised reasons why our Western system is in an ever-increasing danger of running itself into the ground lies in our determination to go on applying favourite doctrines long after it has become evident—as in the case of those concerned with the liberalisation of international trade—that this is defeating rather than promoting their original purpose. Is there not a strong suggestion that we are now making this mistake in relation to economic détente?

Up to a comparatively short time ago, it was considered that the political objectives of the Free World would be served best by doing as little as possible to make economic life easier for the Soviet Union. It will be recalled that, for a very long time, one of the main arguments Washington relied on to explain its diabolical opposition to the powerful case for revaluing gold was that such a move would confer considerable benefits on the U.S.S.R. as a major producer of the metal.

## Compensated

Naturally, there was a case for modifying this attitude as a contribution to the cause of improving relations between the Communist and non-Communist worlds. It rested on the proposition that putting the Russians in a better position to grapple with their economic difficulties could provide the basis for an improvement in the East-West climate of such a rewarding kind that the Free World would be more than adequately compensated for what the change of approach would cost in other directions.

Clearly the proof of this—as with all other puddings—was going to be in the eating. Which meant that it would be necessary to monitor the Eastern Bloc's response for some time before concluding that détente had become such an unequivocal blessing that we could cease to ponder whether it made sense for the West to go on unbending in its game.

In the event, it is increasingly evident that economic détente is now being pursued for its own sake—with little regard, that is or is not bearing the hoped-for fruit. One pointer to this can be seen in the readiness with which the Western industrialised countries are putting large credit lines at the disposal of the Eastern Bloc to help it acquire

THE WEEK IN THE COURTS

# A question of keeping it in the family

BY JUSTINIAN

THE FAMILY is the basic institution in our society, the unit within which most men and women find satisfaction, for their basic needs. It is not the product of law, which is powerless to insist that individuals adhere to the precepts of family life. But the law can, and does, fix the terms on which the family functions. Apart from determining who may marry and how they shall marry (and unmarried) it determines the rights and obligations of each member of the family. The law's overriding purpose is to uphold the family.

In *Dyson Holdings Ltd. v. Fox* the Court of Appeal last week had to decide whether a woman who had lived with a man for 21 years without having gone through a ceremony of marriage was a "member" of his family and entitled to the protection of the Rent Acts on his death. The Court held that the popular meaning of the word, family, had changed, so that the landlords were not entitled to possession of the house against the deceased tenant's widow. Twenty years ago the courts would probably have declined to accord any status to a mistress, which would have allowed her to claim to be a member of her lover's family for the purposes of the Rent Acts (at least if there were no children of the union).

## Old cronies

The old-fashioned attitude to illicit unions was aptly described in a case in 1949 by Lord Justice Asquith. First, the relationship of a man and woman living in the same household could be platonic, in which case any finding that they were members of a family would include "two old cronies of the same sex innocently sharing a flat." And that could not be seriously contemplated. Or, second, if the partnership involved sexual relationship it would be anomalous if a person could acquire a "status of irretrievability" from the home by living or having lived in sin—even if the liaison had not been a mere casual encounter but was protracted in time and conclusive in character. Lord Justice Asquith

adhering to the Christian view of marriage as the foundation stone of the family in English society, concluded that "to say of two people masquerading as husband and wife (being there no children to complicate the picture) that they were members of the same family seems to be an abuse of the English language." And Lord Denning's predecessor as Master of the Rolls, Lord Gwyer, in the same case, said that it would be no bad thing that by the court's decision it was shown that in the Christian society in which we lived "one at least of the privileges derived from marriage is not equally enjoyed" by those who are living together as man and wife but unmarried.

The first proposition is not based on solid fact; and the latter rests very much on opinion among middle-class people. One of the most striking features of our society of recent times is in fact the increased popularity of marriage. This phenomenon was documented and commented on by the *Finer Families*. Until the inter-war years it was very common for men and women to form illicit, but stable, unions—much more so than to-day. They were just as much a family unit as the same unions are to-day. The expression (and its general acceptability), the "common law marriage," has been with us a very long time. It had come into general use at least a century ago, and its stigma has been affixed exclusively by those adherents to Christian marriage.

## Unreal result

The third member of the Court, Lord Justice James, made no such sweeping assumptions about the nature of marriage and the family. He merely asserted that the word, family, had to be given its popular meaning at the time relevant to the decision in each particular case. The Court was not to be a slave to precedent in circumstances where it was inappropriate, because it would produce an unreal result. One wonders whether the courts will in the immediate or near future confer the status of family on two lesbians who adopt the male and female role in a single household, or even two male homosexuals similarly forming a homely partnership.

RUGBY UNION

BY PETER ROB

# Llanelli lyrics outshine Welsh poetry in motion

SATURDAY'S MATCH between Llanelli and Llanelli had the trappings of a mini-Eisteddfod. Good music from the Welsh Guards Band, spectators of sound judgment and two teams who give pleasure wherever they play. It was a rugby follower's idea of bliss.

Llanelli took the bardic crown, thanks to their lyrical play in the second half. This had been foreshadowed by a brilliant try from J. J. Williams after only two minutes, converted by Bennett. Having struck that blow, Llanelli then found themselves pinned back in their own half for much of the first half. Welsh took a brief two minutes when Stockham kicked a penalty and converted a try by Lewis. But on half-time, Selwyn Williams kicked ahead for Hill to score, with Bennett converting. Llanelli's scrum, half scored two tries in the second period and Bergiers another, Hill converting the second Williams try. Finally, Stockham kicked a second penalty for the home side.

That bald compression of the statistics does not do justice to the delicate intricacy of play most, but they have some splendid ball winners. The main game had all the passion of an internal tribal struggle. The Welsh might have run Llanelli closer with better half-backs, where Ellis Williams just lacked that finality of judgment.

Stockham got the ball away fairly quickly. Hughes came from coal but from sheer instinct. But the real strain Llanelli pack is in its where Gareth Jenkins the finest flankers I support was amazing international claim James, also, with Qui up the back row who was effective despite rugby hybrid, a cro second row and No. 1. Behind this arm pack Selwyn Williams Bennett a stream, passing, running in and, therefore, to be Bann who directed the operations, both very simple.

In the first half, over-concentrated on the ball back, but backs later expanded gloriously. Griffiths in and in carrying the his 25. Bennett ripped a Welsh defence at a high-30s 70-yard to Bergiers' try, but moment he went on far.

He could be forgiven because of his and his demoniac belief in keeping the

SOCCER

BY TREVOR B

# Tottenham throw away victory

IN THE FIRST half of their home match against Manchester City, Tottenham Hotspur looked like achieving their second League win of the season. They established a two-goal lead, which would have been even larger but for two good Corrigan saves, and danced through a largely non-existent opposing defence. Jones scored their first goal after 30 minutes from a neat backheel by Conn. He put in the second after a long, unchallenged diagonal run by Neill.

During this period, Manchester City showed little life and their passing and ball control was below standard. The exception was Tuerk. His one-man crusade was eventually rewarded with a goal by Watson standing in as City's centre-forward. Spurs began the second half with a quick-burst but suddenly ran out of steam. City stepped up the pressure. Spurs back-line began to crack. Bell headed in the equaliser off a post after a centre from Barnes on the left diagonal run by Neill.

YACHTING

BY STUART ALEX

# Royal Lymington—by bows

THE TEAM TROPHY series in the Solent over the weekend was won by Royal Lymington Yacht Club by half a point over the Royal Southern.

Hamble River Yacht Club themselves pushed Royal Lymington to the second race by the Royal Southern. The final score was 35 points for Lymington and 34 for Southern. The first race from neighbours River 37, and Park

RACING

BY DOMINIC M

# Champion win by Rose Bow

ROSE BOWL, who failed to obtain even half an opening in the final furlong of the 1,000 Guineas, confirmed with Saturday's victory in the Champion Stakes, that she could have won the first filly's classic in a hack canter with an uninterrupted passage.

had produced her old acceleration. Altes France must now be considered an extremely doubtful runner for the Washington International, and her next trip

Kept towards the rear of the nine-runner Newmarket field on Saturday until a quarter-of-a-mile from home, the Habitant filly, ridden with great patience by Willie Carson, produced a remarkable turn of foot coming out of the dip, and from that point the result was never in doubt. At the line, Rose Bowl had one and a half lengths to spare over Altes France, with another from the French quarter, Ramirez, taking third place, a further three-quarters of a length away. If there was an unlucky runner it was surely Altes France, for there was no doubt that as the early leader, Son of Silver, fell back a furlong out, the great French mare had little room in which to deliver a challenge. However, Yves Saint-Martin did not go along with those who thought that she might have been an unlucky loser. As he commented: "I always had the room if she

will probably be when she visits the Kentucky-based Secretariat in the spring. John Cherry, backed down from 25-1 to 5-1 for the afternoon's other major event, the S.K.P. Cesarewitch, on the strength of a facile victory over Pal's Bambino in Ascot's Gordon Carter Handicap, looked every inch an odds-on chance as he swept into the lead a furlong and a half from home.

At Edinburgh, two ners likely to oblige Castorina Point in the Plate (3.00) and Bow Grange Handicap hal later.

# Accountants' pay rises more than solicitors'

BY NICHOLAS LESLIE

A WIDENING GAP between the other hand, the solicitor in salary levels of accountants and local government may expect up to 10 per cent. The survey also shows that the accountant's salary looks small compared with that of his European counterpart. If he earned £5,000 in London, he would expect £10,000 in Germany and £8,500 in France.

# In Peterlee it's jobs for the girl

BY NICHOLAS LESLIE

ABOUT 14,000 jobs are seated in Co. Durham's towns at Newton Aycliffe and Washington, over 10 years, but many of the women and are poorly paid, according Ham University survey. The report says the tion on jobs for women most evident in Peterlee the workforce has never been 60 per cent, female employment is high in towns, averaging 45 per cent. The report says that factory jobs created in towns, there was a loss elsewhere in the north mainly in mining and ing.

## TV/Radio

† Indicates programme in black and white.

**BBC 1**

10.45 You and Me. 11.00 For Schools. 12.30 p.m. Anno Domini. 12.55 News. 1.00 Pebble Mill. 1.45 Ring-a-Ding. 1.50 Thomas Tiddles his Room. 2.00 For Schools. 2.55 Regional News (except London). 4.00 Play School. 4.25 Astronaut. 4.30 Jackanory. 4.45 Blue Peter. 5.10 John Craven's Newsround. 5.20 Inch High Private Eye. 5.40 The Wombles.

8.45 National News. 8.50 Nationwide. 8.55 The Goodies. 9.20 Angels "On the Mat". 9.30 Panorama. 9.50 Nine O'Clock News.

9.25 The Monday Film: "The Detective", starring Frank Sinatra and Lea Remick. 11.15 Tonight. 11.50 Weather/Regional News. All Regional programmes as BBC 1 except at the following times: Wales—1.45-2.00 p.m. Pili Pala. 2.15-2.35 Let's Look at Wales. 6.00-6.20 Wales To-day. 6.50-7.20 Heddiw. 11.15-11.50 Kana on Monday. 11.50 News and Weather for Wales. Scotland—11.00-11.20 a.m. For Schools in Scotland. 6.00-6.50 p.m. Reporting Scotland. 11.15-11.50 Public Affair. 11.50 Scottish News Summary and Weather. Northern Ireland—3.54-4.00 p.m. Northern Ireland News. 6.00-6.50 p.m. Scene Around Six. 6.50-7.20 Castle-Comment. 11.30 Northern Ireland News Headlines.

England—6.00-6.50 p.m. Nationwide. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South West (from Plymouth).

**BBC 2**

7.30 Open University. 11.00 The 3,000th Play School. 3.00 p.m. On the National Health: Why the Reorganisation? 3.30 Homes from Home: Caring for the Elderly. 5.05-5.15 Open University. 7.05 The Selling Line (part 3). 7.20 Newsday: Cambridge Union Debate. 8.10 The Waltons. 9.00 Prometheus: The Life of Balzac by André Maurois. 9.50 Controversy: Prof. John Taylor maintains that his fellow scientists are stilling science. 10.55 Diversions. 11.30 Newsnight. 11.45 Clossdown: Julian Glover reads "Bus Stop" by Norman MacCaig.

**LONDON**

9.30 a.m. Schools. 12.00 p.m. Noddy. 12.10 Rainbow. 12.30 Mum's the Word. 1.00 First Report. 1.30 Lunchtime. 1.50 Emmerdale Farm. 2.00 Good Afternoon. 2.30 Edge of Eternity. 3.55 General Hospital. 4.25 Clubboard. 4.35 Hogg's Back. 4.40 And Mother Makes Five. 5.20 News from ITN. 6.00 Today. 6.45 Opportunity Knocks: 7.30 Coronation Street. 8.00 World in Action. 8.50 The Sweeney. 10.00 News. 10.30 Seven Ages of Fashion—To the New Elizabethans (1945-1975). 11.00 The Streets of San Francisco.

Monday Film—The Charge is Murder. MTV Cinema/Wales—5.30 p.m. General Service. 6.00-6.20 p.m. Penetration. 6.20-6.40 p.m. The Doctor. 6.40-6.50 p.m. The Doctor. 6.50-7.00 p.m. The Doctor. 7.00-7.10 p.m. The Doctor. 7.10-7.20 p.m. The Doctor. 7.20-7.30 p.m. The Doctor. 7.30-7.40 p.m. The Doctor. 7.40-7.50 p.m. The Doctor. 7.50-8.00 p.m. The Doctor. 8.00-8.10 p.m. The Doctor. 8.10-8.20 p.m. The Doctor. 8.20-8.30 p.m. The Doctor. 8.30-8.40 p.m. The Doctor. 8.40-8.50 p.m. The Doctor. 8.50-9.00 p.m. The Doctor. 9.00-9.10 p.m. The Doctor. 9.10-9.20 p.m. The Doctor. 9.20-9.30 p.m. The Doctor. 9.30-9.40 p.m. The Doctor. 9.40-9.50 p.m. The Doctor. 9.50-10.00 p.m. The Doctor. 10.00-10.10 p.m. The Doctor. 10.10-10.20 p.m. The Doctor. 10.20-10.30 p.m. The Doctor. 10.30-10.40 p.m. The Doctor. 10.40-10.50 p.m. The Doctor. 10.50-11.00 p.m. The Doctor. 11.00-11.10 p.m. The Doctor. 11.10-11.20 p.m. The Doctor. 11.20-11.30 p.m. The Doctor. 11.30-11.40 p.m. The Doctor. 11.40-11.50 p.m. The Doctor. 11.50-12.00 p.m. The Doctor. 12.00-12.10 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Majesty's

# Thomas and the King

by B. A. YOUNG

Smilie, who plays whose trio number "Sincerity" in *Thomas and the King*, is destined for stardom. He is handsome and charismatic, and acts as if in a play and not a of God should not be. This is a hard luck on a play with comic or romantic songs, but they should rise a little above "This love, this love, this love" and sing more of a kind which is a more serious manner. As it is apparently Mr. Harbert's idea to make a musical out of *Thomas*, it would be hoping too much to expect it to go anywhere for his lyrics. John Williams' music is an intimate colloquy of a rising to an orchestral level, but it is hardly memorable, and his singing is

from Mr. Smilie and Mr. and Caroline Villiers, a village girl who teaches some common sense, fornications, there is a serious play treating of the love of God of man. Mr. Andie has a close to Anouilh for it, but as it must serve as a made more im- accessible. He has, uple, added to Anouilh's there are some frisky bits for ice-cream Cardinals village girls (not many of them)

hester Cathedral

## The Cocktail Party

by MICHAEL COVENEY

Obsession of our major ed companies is to revive from the British drama. This leads them to stigmatise Harley Granville Priestley, W. S. Gilbert, and Eliot. To all a re and exercise the or precision and craft of a distinguished and is considered worth- expend public money on positions of the virtues of the dramatic literature with a view to placing achievements in some defined ongoing wash of perspective: this ten- alters both the cultural on the audience and a feeling of debt to it governs the thinking of our theatrical impres- The argument is pro- that theatrical innova- succeed when conducted dem with a spirit of in- low-lying in the of *Pennier* and *Outdated* ge. It explains why so if what is served up is iturous, musty and down- wing.

ISC and the National are only guilty parties. the next two years, Man- will have a new theatre, from the loss of the the of the audience and at the Royal Exchange the direction of Michael Mr. Elliott's current pro- housed, in the widest any British ecclesiastical is a taste of things to

is type, no production new National could poe to surpass the quality, splendid and thought- revival; for a start, the lot has refused to suc- urely to the tantalising he has failed the three- drama to two acts and densed epilogues. The is ruthlessly pared to the strength of the a treatise on what Eliot red the violent "alter- open to privileged upper- die people, denigrating mise with the demands al-decorum or ridiculous. Celia is an exception and that don to the devouring, few of us are likely to step blind- iden instinct for showy degradation and martyrdom, it is our duty, both to ourselves, nothing if we do not and to each other, to make the that Celia Costelloe's, best of a bad job. The Cham- bers of guilt of her laynes each visit Harcourt- ness of solitude" and Rilly separately in order to use of sin" are anything belly-ache about the lot and artful, and state state psychosocial boistering. Polly James as Celia for what is, in fact, the everyday tently projects these norm of personal relationships

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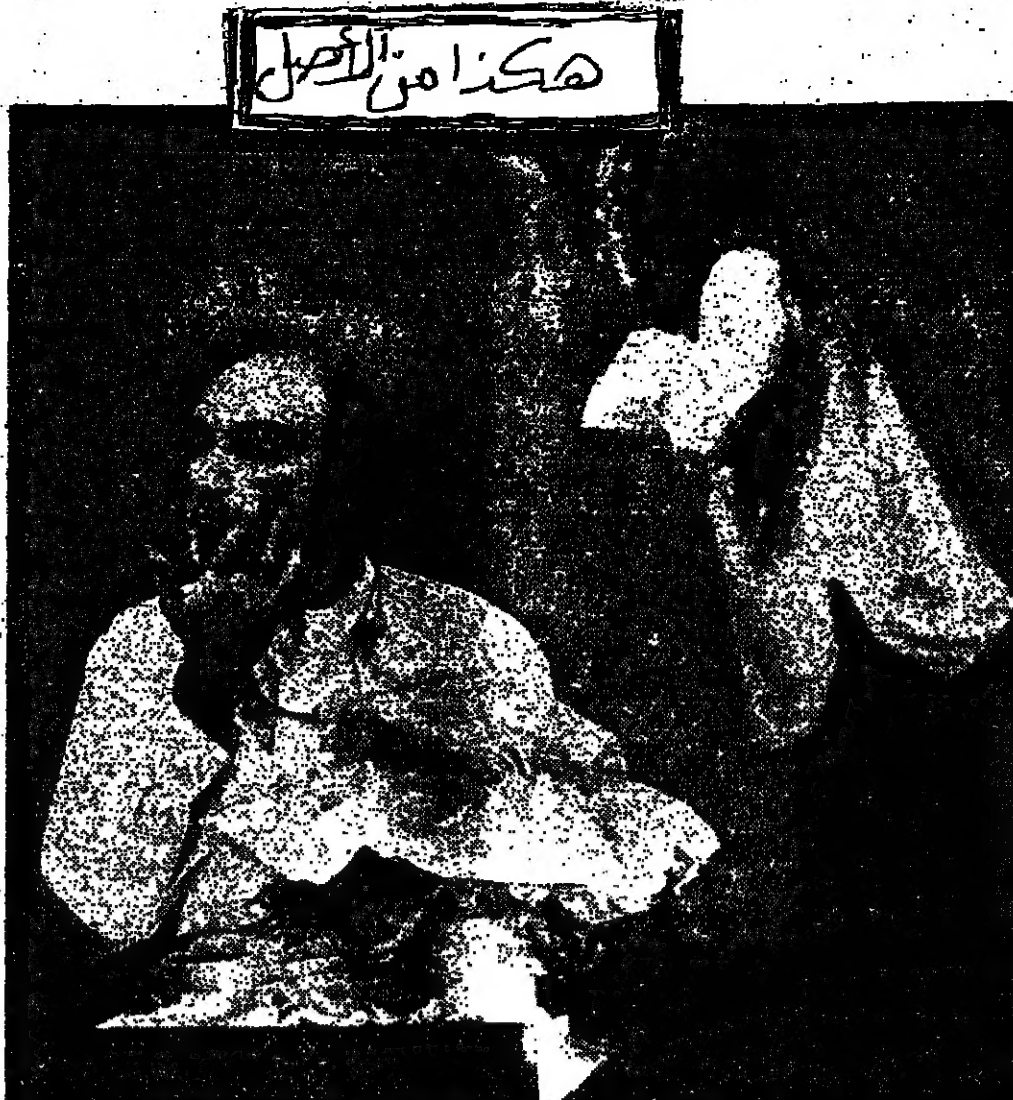
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Ted Richards and Jim Sweeney in *Interval*.

Theatre Upstairs

## Bunch of Five

by B. A. YOUNG

There were 130 entries in the young playwrights' competition run by the Royal Court and the Observer, and *Bunch of Five* presents five of the winners. A sixth, entered by the West Indian Drama Group, will be added when its authors are free to play in it during the week November 4-8.

What do young writers between 11 and 17, the two extremes represented here, think about? I am happy to say that they mostly think about the same things as children have been thinking about for centuries. The commonest theme in these five plays is the dragon, who eats fair maidens; the next most common is food.

The two are combined in St. George and his Dragon by Tanya Meadows, who was 12 when she wrote the play but is now 14. Miss Meadows takes a conven- tional plot but reverses things: her dragon much prefers eating jelly and custard to maidens.

Fulham Town Hall

## The Seal-Woman

by ELIZABETH FORBES

The Seal-woman, Granville Fraser's two-act Celtic folk opera, dates from 1924, when the composer was in his middle fifties. The conception of the opera originated seven years earlier, when Bantock was visited by Marjorie Kennedy Fraser, collector of Hebridean folk songs. She wrote the libretto and also sang in the first performance, which took place at Birmingham Repertory Theatre on September 27, 1924. The production by Hammer- smith Municipal Opera last week was apparently the first in London.

Legends of the human origin of seals are found, according to Marjorie Kennedy Fraser's fascinating note, reprinted from the original Birmingham programme, only in the remotest Western Isles. Seals are the children of a mythical king bewitched by their wicked step-mother; three times a year, when the moon is full, they briefly regain human form. In the opera an Islemann falls in love with a Seal-Woman and marries her; she lives happily on land for seven years, then the call of the sea becomes too strong, and forsaking husband and child she returns to her watery element.

Bantock's score incorporates a number of Hebridean folk-songs, including three seal-airs, gathered by Marjorie Kennedy Fraser. Once on Barra she sang the opening phrase of a seal-air to some seals basking on a reef. "When I ceased singing there was an instant response all along the line of the reef... After a few seconds of intense silence, a great solo-voice rose from the extreme end of the reef and a phrase was sung with beautiful human-like tone and perfect human intonation, a phrase I had never before heard." Many of these folk-songs are delightful, but the work as a whole is less interesting than the account of its origin.

New Season at the Almost Free

The Almost Free Theatre in Rupert Street, W.1, announces a new season of plays by new British writers. It consists of three lunchtime plays and one evening production.

The lunchtime plays are *Steer Clear of Kafka*, by Henry Woolf; *L1 and L2* by Fred Willett; and *The Long Night* by Iain Blair. The evening play is *The Great Ban* by Max Wilby.

Jack Emery, who has been appointed Associate Artistic Director of the theatre, will direct *Steer Clear of Kafka*, *The Long Night* and *The Great Ban*. *L1 and L2* will be directed by Frunelli Scales.

The "almost free" policy, which means that admission and membership cost as much as you care to give, will continue.

Second anthology of new poetry

Encouraged by the success of its first poetry anthology, *New Poetry 1*, the Arts Council of Great Britain is again asking for contributions of up to six poems for consideration for its second anthology, *New Poetry 2*. Further information may be obtained from Sheila Gold at the literature department of the Arts Council of Great Britain, 105, Piccadilly, London, W.1.

Elizabeth Hall

## Michael Roll

by DOMINIC GILL

When a young musician, unvaried: no bloom to the hardly out of school, wins an important international competi- tion, admiration is also tempered with sympathy and caution. Will the early exposure, in such a sudden and massive dose, really help his career as an artist? A flat impromptu given at vir- Some exceptional young talents minor Nocturne op. 48 followed of a liability than a prize; some without any perceptible shift of total nuance or attitude. Per- completely. But Michael Roll— who entered the first Leeds Piano Competition in 1963 at the age of 17, and found himself un- expectedly declared the outright winner—has weathered the storm of demand on the whole very well.

In 12 years he has made for himself a worthwhile inter- national career, without showing any of the more obvious symptoms of premature exposure. What he has not so far done, however, is to emerge from a storm an unarguably major artist. He has proved himself a useful pianist, but not yet a specially interesting one—his recital of Chopin and Beethoven last night was characterised as much by its lack of remarkable quality, as it was by its lack of any grave or disconcerting faults.

His accounts of the four Chopin Impromptus at the start of the evening were unexcep- tionable, lightweight, bland of manner and movement, indis- tinct of focus—pedalling was generous, sometimes blurred. The sound was acceptable, but from what?

His second half was devoted to amiable, neutral readings of four of the seven early Beethoven Bagatelles op. 33; and to a capable performance of the Eroica Variations (op. 35) which plumbed no particular depth, nor rose (in spite of a rousing finale) to any great height.

Why, incidentally, must pro- gramme-note writers habitually call long extensive or substantial passages of music "extended"? Robin Golding would have us believe that the *Introduzione col Basso del Temo* of Beethoven's op. 35, perfectly self-contained in 66 bars, and for that matter the whole of the final variation also have been somehow treated by this process—extended where, and from what?

Festival Hall

## Kubelik

by MAX LOPPERT

The London Symphony Orchestra has clearly planned Thursday's concert around the special qualities and that fine conductor, Rafael Kubelik. Yet Janacek's *Sinfonietta*, which began it, was a performance that quite contradicted expectation; for instead of the glowing, natural, full-hearted orchestral tone expansively irradiating each cell—memorable feature of past Kubelik Janacek readings—the opening movements were choppy sounded, and the phrases jerkily layered.

It was the sort of performance in which surface excitement is the playing never quite concealed a slight but persistent fudging of small instrumental details (string and wind flourishes impressively uttered, the "joins" of those marvellously organic blocks of melody awkwardly synchronised). The great and glorious reconcil- ing of opposites came in full uplit; but the impact of the whole was less moving, less purposeful than one imagines Mr. Kubelik can achieve (with more rehearsal time?).

The other work of the evening was by another, very different kind of nature-loving Moravian, to Colin Davis's services to the National Musical Council, Composers' Guild of Great Britain, National Federation of Gramo- phone Societies, Performing Right Society, Songwriters' Guild of Great Britain and the Mechanical Copyright Protection Society.

In presenting the award, Mr. Thorpe made special reference to Colin Davis's services to the National Musical Council, Composers' Guild of Great Britain, National Federation of Gramo- phone Societies, Performing Right Society, Songwriters' Guild of Great Britain and the Mechanical Copyright Protection Society.

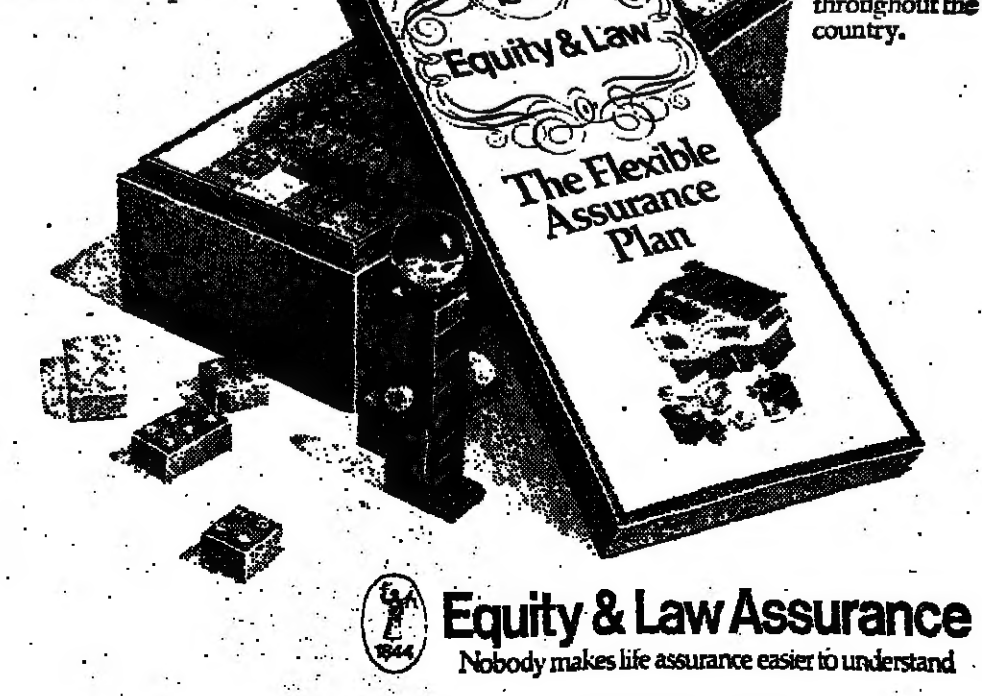
## Audio Award for Colin Davis

Colin Davis, Director of Music at the Royal Opera House, was presented yesterday with the 1975 Audio Award. The Award emblem (an individually engraved bronze sculpture) was presented to Mr. Davis by the Rt. Hon. Jeremy Thorpe, on behalf of the magazine *Hi-Fi News and Record Reviews*, as part of a scheme sponsored by the National Musical Council, Composers' Guild of Great Britain, National Federation of Gramo- phone Societies, Performing Right Society, Songwriters' Guild of Great Britain and the Mechanical Copyright Protection Society.

## One life policy you can build into so many other forms of protection

To many people, taking out a life assurance policy means being stuck with it for life. But it needn't always be the case. There's a special type of life policy from which you can build those additional forms of protection you're likely to need as you go through life. Like mortgage protection, or provision for your retirement... The Flexible Assurance Plan is what it's called. And it's as adaptable as a set of children's building blocks. As your circumstances change you can use all or part of your cover for a variety of purposes—without any further medical evidence. The advantages are well worth having. And the younger you start the cheaper it is.

Imagine the comfort for your wife and family—knowing that should the worst happen, much-needed money could be made available to maintain a roof over their heads. Equity & Law have been specialists in life assurance since 1844, were pioneers in the field of flexible life assurance, and offer particularly competitive terms. Ask an insurance broker to give you the benefit of his advice and a quotation. In hard, inflationary times such as these, there's a lot to be said for having a life policy you can always turn to your advantage. Equity & Law Life Assurance Society Limited, 20 Lincoln's Inn Fields, London WC2A 3ES. Branches throughout the country.





# Extensive import curbs demanded by Hayward

BY RICHARD EVANS, LOBBY CORRESPONDENT

AN UNCOMPROMISING demand for the Government to introduce extensive import controls to selective help to the construction industry was made yesterday by Mr. Ron Hayward, Labour Party general secretary.

Mr. Hayward, an increasingly influential figure in the Labour movement, said that he was speaking on behalf of the party's National Executive Committee and the annual conference which will vote on the issue of import controls in the autumn. He said the party's known opposition to the Prime Minister and Mr. Denis Healey, Chancellor of the Exchequer.

Mr. Hayward agreed that there was a danger of retaliation by other countries if import controls were imposed, but he thought that the dangers had been overstated.

The way out of the crisis was to go for growth, led by import inflation.

Even were import controls to be imposed, they would provide the country with only a breathing space. We would have to use the time to begin rebuilding British industry and to reverse the cycle of failure.

As part of an "emergency blood transfusion" to British industry, provisional planning agreements should be concluded with the country's 50 highest exporters, a system of investment funds using the profits of major companies should be steered into investment projects, a new and tougher Industry Bill should be introduced, and ample financial provision should be allowed the National Enterprise Board.

What we are looking for are controls tough enough to provide at least 300,000 to 400,000 jobs. Mr. Hayward told the annual conference of the London Co-operative Society political committee and Mr. Denis Healey, Chancellor of the Exchequer.

The Labour Party was not the party of massive public expenditure cuts and it was not the party of massive unemployment either. "Yet there is something else that needs to be added—we are not and must never be the party of rising prices and to go for growth, led by import inflation."

## Protect capitalism call by Heseltine

BY RICHARD EVANS

MR. MICHAEL HESELTINE, businessman, the industrial manager—starting to recognise the consequences that have flowed from the abdication of political power and responsibility.

Mr. Heseltine told Greater London Young Conservatives that responsibility for the problems of British capitalism rested with the attitude of its friends rather than its enemies. If they spoke up for private enterprise, the impact would be formidable.

"While virtually every other interest has become organised and articulated, only now are we beginning to see those who exercise a crucial economic power in a capitalist economy—the self-employed, the small

businessman, the industrial manager—starting to recognise the consequences that have flowed from the abdication of political power and responsibility.

The determination of industry to steer clear of political involvement must occupy a central place in any serious analysis of Britain's economic failure. In the absence of explanations by industry of their role to their work people and to the public it was inevitable that others, less sympathetic to free enterprise would seize the missed opportunity.

No new law was necessary to rectify the situation. All that was needed was increased will to become involved. Railways, petrol, tin can, and demonstrations need not be the prerogative of dissident students and militant trade unions.

## Stonehouse may address MPs to-day

By Richard Evans

MR. JOHN STONEHOUSE, Labour MP for Walsall North, is likely to make a personal statement in the Commons this week, probably to-day, provided that he receives permission from the Speaker, Mr. Selwyn Lloyd.

Mr. Lloyd yesterday denied some reports that permission had already been given for Mr. Stonehouse to make a personal statement about his disappearance a year ago.

A decision could be reached to-day, however, to enable a statement to be made this afternoon. Mr. Stonehouse, who is facing 23 charges in London for forgery, theft, conspiracy and making false statements to obtain legal aid, saw the Speaker last week to discuss the terms of the statement, which will not be debated. It must also avoid any reference to the criminal charges facing him.

Even if the Speaker gave permission, some Labour backbenchers might object and call for a vote to be taken on whether he should be allowed to present his case to the Commons.

## £430m. borrowings by public sector boost money supply

BY MICHAEL BLANDIN

THE LATEST money supply statistics, published this morning, underline the sharp contrast between the demands made on the banking system by the public and the private sectors.

Sterling lending to the private sector by the banks dropped by some £175m. in the four-week period to mid-September, after allowing for seasonal influences. Sterling lending to the public sector rose by £430m., however, much the same increase as in each of the previous two months.

The central Government borrowing requirement was again substantial, and an appreciable part of it was financed by sale of Treasury bills. Total bank holdings of U.K. Treasury bills jumped by £328m. to £1,970m. during the month. At the same time, there were unusually large sales of bills to the non-bank domestic public.

The large take-up of Treasury bills is one of the factors which has swollen the banks' reserve asset base, with an average ratio of 15.9 per cent. last month, providing the potential for a large increase in lending if demand from private customers revives.

During the month, M1 showed an increase of £368m. after seasonal adjustment, or 2.3 per cent. Over the past year, it has risen by about 10 per cent. But during the latest three-month period, the increase has been some 64 per cent, and though there were some special factors at work which may have exaggerated the underlying rate of increase, it is probable that M1 is now growing more rapidly than earlier in the year.

Outside M1, public sector deposits fell sharply, after an exceptional rise in the previous month. But there was an unusually large, and perhaps partly temporary, increase in U.K. residents' foreign currency deposits.

THE CHANGES IN MONEY SUPPLY (Seasonally adjusted totals in £bn. and percentage monthly changes)

1974	M1	% change	M3	% change
September 18	12.71	+0.2	24.98	+0.2
October 16	12.90	+1.4	25.15	+0.5
November 20	13.08	+0.8	25.58	+1.2
December 11	13.22	+1.7	25.83	+0.7
1975				
January 15	12.71	+3.4	25.97	+0.4
February 19	13.67	+0.3	26.51	+1.0
March 19	13.94	+2.0	26.85	+0.9
April 16	14.25	+2.3	26.92	+0.2
May 21	15.09	+0.7	27.47	+1.5
June 18	15.12	+0.2	27.36	-0.3
July 16	15.50	+2.4	27.63	+0.7
August 20	15.73	+1.5	28.37	+2.8
September 17	16.10	+2.3	28.73	+1.0

M1 includes notes and coins in circulation plus private sector sterling deposits.

M3 includes M1 plus other items, the main one being bank deposit accounts. Source: Bank of England.

\* On new basis.

## NVT hopes for export guarantee solution

By Peter Cartwright

A SOLUTION is expected to-day to the long-standing problem of providing export guarantees facilities to Norton Villiers Triumph to enable it to fulfil its contract to sell Bonnevilles machines made by the Meriden Motor Cycle Co-operative near Coventry.

Since the co-operative started production four months ago only about 300 motor cycles for the U.K. and 200 for export have been taken by NVT, which has provided export facilities in spite of its own reduced circumstances. Another 858 machines are awaiting shipment.

The root of the trouble seems to have been Treasury insistence, with which NVT does not necessarily disagree, on a new type of agreement that requires a change for every machine sold and a document for every country and state—58 different documents for the U.S. alone.

While the Export Credit Guarantee Department and NVT have been trying to implement the 20-page agreement this has not proved possible at long range with U.S. interests involved.

The ECGD's lawyer in New York and NVT's in California were aware at the weekend to meet NVT's London lawyer and representatives of the Department, the company and the co-operative.

NVT will also answer to-day a winding-up petition over an unpaid bill of about £27,000. The company will make a statement afterwards which should make it clear whether its Small Heath motorcycle factory, steadily being run down, can survive as a much smaller unit.

## Work on docks site aid trade market may start in 1976

BY RHYS DAVID

TRAMMELL CROW, the American developer, hopes to start next year on a trade mart in London which could bring about important changes in the way textiles and some other goods reach the marketplace.

The mart, which was recently given full planning permission, will offer permanent showrooms for manufacturers and wholesalers and aims to make it possible for buyers to see a wide selection of goods without having to visit different locations.

Special exhibitions of the various product groups represented at the mart will also be held during the year when companies not permanently exhibiting will be able to take temporary space.

The first part of the project, which is to be located in a section of the Surrey Docks site, will cover 1.3m. square feet at an estimated cost of £36.5m. Trammell Crow, which operates similar marts in the U.S. and has just opened one in Brussels, is holding discussions with several building contractors, and hopes to be able to complete details of design and financing for the project soon.

The 1.3m. square feet first stage is expected to take two to three years to complete and will be followed by further stages, which could raise capacity up to 6m. square feet.

Later phases will include accommodating 1,500 to 2,000 exhibitors, possibly in London which could bring about important changes in the way textiles and some other goods reach the marketplace. The mart plans to offer permanent showrooms for manufacturers and wholesalers and aims to make it possible for buyers to see a wide selection of goods without having to visit different locations.

The idea of a trade mart in London has been gestated by the industrial development company since its report, Clothing as a Review to 1977, ways of strengthening industry.

Mr. Nicholas Knowmell Crow's market in the U.K., said the already been signs from a number of firms.

Most companies, he thought to be a cautious approach to any commitment as developers are planning their main market coincide with the construction.

As well as showing similar marts in the U.S. and has built on a corridor in Brussels, the mart will also have public rooms for to be able to complete details of design and financing for the project soon.

Trammell Crow has been involved with the UK since the last three years to complete and will be followed by further stages, which could raise capacity up to 6m. square feet.

## Britain signs nuclear aid agreements with Iran

BRITAIN YESTERDAY signed two nuclear training and assistance agreements with Iran. This is the first time Britain has become involved in Iran's ambitious nuclear energy development programme, Robert Graham writes from Tehran.

The first agreement is to train Iranian graduates at Harwell, in the second Harwell will help to develop a nuclear research programme at Tehran University under the aegis of the Atomic Energy Authority of Iran.

Under the first agreement, it is expected that by the end of the year some 20 Iranian graduates will have visited Harwell to study and work for periods of between two and three years.

The agreement, which was signed by Dr. Stanley Marshall, director of Harwell, and Dr. Akbar Khatami, head of the Atomic Energy Authority of Iran, is recognised as being only a modest beginning in establishing nuclear co-operation between the two countries.

However, both the British and Iranian sides are anxious to develop this link. Evidence of the British interest has been demonstrated by the seven-man team to Tehran, led by Dr. Marshall. Already other areas for co-operation are being studied.

So far, Iran has negotiated agreements with France, West Germany and the U.S. for the supply of reactors. There is also an agreement with France to set up a nuclear centre at Isfahan. But only the German contract has begun to bear fruit, and a site at Bushehr, on the Gulf, is now being prepared for two 1,200 MW reactors.

Britain has no marketable reactors for Iran at the moment; but the two agreements have now given Britain a stake in a programme, which over the next 20 years plans to have a nuclear capacity of some 23,000 MW.

## P.O. telephone document service opens

THE POST OFFICE to-day opens to the public a service by which documents can be transmitted over telephone lines. The scheme, Postfax, enables copies to be reproduced hundreds of miles from the point of origin.

The decision to extend the Postfax service, formerly on a limited private basis, has been taken following approaches by the country's biggest companies and some Government departments.

Under the system, documents handed in for transmission are normally delivered within three hours by Post Office messenger. Alternatively, documents can be collected from any of the 22 major business centres from where the service is available.

## Giro service 'may cut post revenue'

THE POST OFFICE has been warned again on how increased postal charges may cut its business. The Banking Information Service reports that many more people are asking about the Giro service for paying bills without using the post.

With Giro any number of bills can be paid with a single cheque, handed in with the bills, at the branch where the payer has an account. The service costs nothing, provided the account is sufficiently in credit for there to be no charges.

## Dover hoverport plan studies ordered

DOVER HARBOUR Board has commissioned independent studies of the technical and environmental effects of a £7m. British Rail plan to build a new hoverport in the harbour.

The plan envisages reclamation of 15 acres in the inner harbour between the North Pier and Prince of Wales Pier, but Mr. Kenneth Davis, general manager of Dover Harbour Board, says it is still a proposal, and no decision will be taken until test results have been received and all the implications considered.

The independent studies include hydraulic tests by Wimpey Laboratories to determine the sea effects of the hoverport; the

Wolfsen unit of Southampton University will study noise and advise on the design of suitable sound barriers where necessary; and the Warren Springs Laboratory, of the Department of Industry will study pollution and other environmental effects.

The Dover Harbour Board has also discussed with the Dover District Council an "impact study" to find out what the effects of a new hoverport would be on the town, in terms of trade, traffic, local amenities and so on.

One of the reasons for the new BR hoverport is that Seaspeed will be using the bigger "stretched" SR-N4s hovercraft on its cross-Channel ferries.

## Downing Street blamed for bad image abroad

THE PRIME MINISTER's office and the Department of Trade have been singled out as being "particularly bad" at public relations, by a report from the Alms for Freedom and Enterprise.

As a result, foreign journalists presented an "exaggerated picture of Britain's troubles" in their newspapers, it claimed. Germany sees us as "unreliable." Japan has nicknamed us a "declining sun country."

America is given a picture of Britain on the point of collapse. "What many resent is not that the image takes account of Britain's troubles—but that most of the time it takes account of nothing else."

Foreign newspaper correspondents in Britain cited a number of Government departments as particularly bad at public relations, "most notably from the viewpoint of Britain's image, 10, American correspondents in Downing Street and Department of Trade."

of Trade." But the Central Office of Information was generally highly regarded.

Complaining about No. 10, foreign correspondents say: "You are left in no doubt that they don't see any votes among our readers." The report says that not one American correspondent has seen Mr. Wilson alone since his return to power.

The British Press must also share blame for Britain's image abroad, as it is particularly drawn to gloom and bad news.

A Downing Street spokesman said: "This is an odd report. The Prime Minister gave a major interview to Time magazine during the summer, another interview to a fairly prominent American journalist recently, which is soon to be published, and he will be the guest of honour at the annual dinner of American correspondents in London in December."

## EEC pays more for U.K. foodstuffs

THE VALUE of British processed food exports to Common Market countries increased by 34 per cent. in the first six months of this year compared with the same period last year, the British Food Export Council said yesterday.

The increase was largely because of higher prices arising from inflation, but there was also a small increase in the volume of food exports to the EEC.

The biggest increase was to West Germany, with value up by 83 per cent. and volume by 17 per cent. The total value of processed food exports to EEC countries was £68m., the West German share amounting to £12.7m.

Although the EEC showed a bigger appetite for British food, world exports were 16 per cent. down in volume, although higher prices meant that they were 13 per cent. up in value, totalling £173.8m. over the six months. Food exports to the U.S. fell 25 per cent. at £14.9m. "The overall fall is due to the general slowing down in world trade as a result of the recession," said Mr. Ian Harrison, the Council's director-general. The Council helps food manufacturers to extend their export business through the main overseas trade fairs, and by organising food missions to world export countries and "inward missions" of selected food buyers to the U.K.



## The L-1011 TriStar. Take comfort in the fuel it saves.

Narrow-body jets, 65% occupied (a typical passenger load), burn 87 gallons of fuel per passenger cross-country.

The L-1011 TriStar, 65% occupied, burns only 66 gallons per passenger. That works out to around 40 miles to the gallon—mileage even an economy car owner can envy. And mighty comforting these days when we're all trying to cut down on fuel.

But lower fuel consumption isn't the only thing that makes you feel comfortable in an L-1011. And it starts the moment you step aboard.

First, you walk through the widest front doors of any jetliner. In fact, passengers can enter two abreast instead of single file. And that's just a hint of the bigger things to come.

Inside, you get more legroom, more shoulder room, more elbowroom. Seats are wider. Even the lavatories on the L-1011 are bigger. And they're placed where they're more accessible.

The Lockheed L-1011 TriStar. Take comfort in the fuel it saves. And take comfort in its comforts.

The Lockheed L-1011 TriStar. The Big fuel saver.

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## OVERSEAS NEWS

## N. York city leaders in Senate aid plea

BY GUY DE JONQUIERES

NEW YORK, Oct. 19.

NEW YORK'S political and business leaders have seized on the jitteriness caused by last Friday's hairbreadth escape from a default to drive home their demands for Federal assistance to enable the city to survive the next few months.

This week-end a parade of prominent witnesses, led by Mayor Abraham Beame, trooped down to Washington from New York to argue before the Senate banking committee that Federal aid was essential, both to preserve the city's financial integrity and to avoid grave economic repercussions in the U.S. and overseas.

Mayor Beame warned that New York was now approaching the limit of its financial resources and that, without Federal assistance, it would be forced to default early in December. "Would the French disown Paris, or the British allow London to become insolvent, or the Soviets abandon Moscow?" he asked.

The Mayor's impassioned appeals were reinforced by the heads of several major banks, including Mr. Walter Wriston, of First National City Bank, and Mr. David Rockefeller, of Chase Manhattan. They warned the committee that failure to help New York would imperil the U.S. economic recovery and the functioning of money markets throughout the world.

This concerted campaign appears to be winning some ground. The chairman of the banking committee, Senator William Proxmire, who has been wavering over the question, said that he was now convinced that New York needed Federal guarantees of its borrowing in

order to regain access to the financial markets.

It is clear that general awareness of the urgency of New York's problems has been sharpened by last Friday's close call, when the city was able to meet its obligations only after the Teachers' Union agreed to bail it out with money from its pension fund. The union gave its agreement less than an hour before the technical deadline for default.

The acute nervousness and uncertainty which prevailed on Friday in many sectors of the financial markets have shaken even some of those who had believed that a default would have little impact and might even be the best solution to New York's problems. Though the mood on Wall Street was certainly not one of panic, bond market trading virtually ceased at one point and the stock market swung sharply up and down during the day.

Senator Proxmire said he expected the banking committee to act quickly and that it could have proposals ready for a vote by the middle of next week. He did not disclose what form these might take, though it seems probable that they would offer the city federal borrowing guarantees in exchange for a pledge to balance its budget and to subject itself to some federal supervision.

Governor Hugh Carey of New York is working with the Senate's Democratic leadership on proposals under which the federal Government would guarantee the city's borrowings up to a limit of \$8bn. for up to three years.

## Demirel's partner takes tough Cyprus line

By Metin Munir

ANKARA, Oct. 19.

TURKISH DEPUTY Prime Minister Necmettin Erbakan today registered opposition to Turkish territorial concessions in Cyprus, putting a serious obstacle in the way of resolving the problem and dampening impatient hopes that Turkey might make concessions over Cyprus.

Erbakan is the chairman of the pro-Islamic National Salvation Party (NSP), the biggest of Prime Minister Suleyman Demirel's three coalition partners. Erbakan's views are important because Demirel cannot take any steps in Cyprus without his partner's consent.

The NSP is not in favour of making territorial concessions in Cyprus as a way of reaching a final solution, Erbakan said here today. The evacuation of Morphou, Famagusta and Yerosha which are Turkish cities, is inconceivable. These settlements, much coveted by the Greek Cypriots, housed more than a third of the 200,000 Greek Cypriots who are now living as refugees south of the Attila Line. They are also of major economic importance and are considered by the Greeks as compulsory for a solution.

Erbakan went a step further. He said he believed in the "imperativeness" of declaring northern Cyprus an independent Turkish State.

## Egypt jets withdrawn 'to stay out of a Golan war'

BY HUSAN HIJAZI

BEIRUT, October 19.

THE decision by Egypt to withdraw its two airforce squadrons stationed in Syria is taken by informed diplomatic sources here as indicative of Egyptian desire not to get involved in a Syrian-Israeli confrontation on the Golan Heights where things have been heating up in the past week.

The decision was announced in Cairo Friday night and was quickly attributed to the conflict between Damascus and Damascus. They took part in the fighting on the Syrian front, but American planes to supply Israel have been inactive since the war with new weapons.

The diplomatic sources said that this is a factor, but that in their view Egypt's concern about a possible "breakout" of hostilities in the Golan Heights was the major consideration behind the Egyptian move. They said President Sadat does not want any Egyptian involvement in the Syrian-Israeli tension. "The tension thus far has been at a 'psychological level' but there have been military noises as well."

According to informed travellers from Damascus, Syrian forces which had been stationed along the border with Iraq have now been redeployed to strengthen the Syrian positions on the frontlines with Israel. These forces were rushed to the Iraqi border during the summer at the height of the conflict between the two Arab neighbours over the sharing of the Euphrates river.

The unprecedented use of the slim Liberal and Country party majority in the Upper House to

## Whitlam hard pressed

MELBOURNE, Oct. 19.

THE AUSTRALIAN Opposition pressed its drive for new elections today with a mass rally in Melbourne and a joint attack in the Labour Government by four State premiers.

Liberal Party leader Malcolm Fraser brought 20,000 supporters to their feet cheering here when he asked who wanted an election. The Opposition premiers of New South Wales, Victoria, Queensland and Western Australia today issued a joint statement assailing the Government and supporting the Opposition tactic of blocking budget Bills in the Senate.

The next scheduled general election would be in 1977.

## Soviet Union rules out cheap oil for U.S.

WASHINGTON, Oct. 19.

MR. VLADIMIR Alkhimov, Soviet Deputy Minister of Foreign Trade, has ruled out a Soviet-American oil agreement based on a price discount for the U.S.

"Any long-term agreement to supply our oil to your country would have to be based on the world price," he said in an interview published today in the magazine U.S. News and World Report. "Any preferential price arrangement would be economic."

## Kissinger backs detente

PEKING, Oct. 19.

CHINESE Foreign Minister Chiao Kuan-hua attacked and will be coming to China "soon" Secretary of State Henry Kissinger to strengthen Sino-American relations. Turning to U.S. detente with the Soviet Union to-night at a State banquet. The exchange came in the dinner toasts.

"The historic reality is not that detente has developed to a new stage, but that the danger of a new world war is mounting. Do not believe there is any last-minute peace," Chiao said.

"The only way to deal with hegemonism is to wage a tit-for-tat struggle against it. To base oneself on illusions, to mistake hopes or wishes for reality and to act accordingly, will only abet the ambitions of expansionism and lead to grave consequences," he said in a toast of China. The 200 Chinese and delivered after the shark's fin course.

Dr. Kissinger, speaking after each toast, the fried mandarin fish course, UPI

## Giscard's Moscow trip was limited success

BY RUPERT CORNWELL

PARIS, Oct. 19.

DESPITE the rearward action of both sides to portray the latest Franco-Soviet summit as a success, the visit of President Giscard d'Estaing to Moscow has exposed the limits to the "special relationship" by which the two countries have set such store in the past.

Even if the question of Mr. Brezhnev's health—seemingly the immediate cause of the change of programme—is left aside, it is accepted here that the meeting was nothing like the occasion it would have been in the heyday of Presidents de Gaulle or Pompidou. Right from the outset this time, a coolness was discernible on the part of the Russians.

The rebound warmth at the end, including generous coverage in the Soviet Press and M. Giscard d'Estaing's description of his discussions as both cordial and positive, has convinced few. In the eyes of most observers in Paris the main reasons of an uncomfortable few days are:

● France is no longer such a special case among the Western countries for Moscow. In an

age of detente, the U.S. counts for more politically, and West Germany in economic terms.

● In their treatment of M. Giscard d'Estaing, who politely called for ideological detente as well, the Russians were serving notice to the West at large that they will not be stamped into liberalisation, whatever the Helsinki treaty might say.

● The present French regime is less congenial than its predecessor. The Russian leaders are unsure of M. Giscard d'Estaing's Atlantic leanings, and unappreciative of the recent anti-Communist attacks of some of his senior Ministers. Interestingly, during the visit French TV gave considerable air to Soviet dissenters, something that would hardly have happened under de Gaulle.

On the disarmament issue, where Moscow was hoping for concessions by the French, things have not moved far. France reaffirmed its backing for a world disarmament conference, but did come out formerly against any spread of nuclear weapons—even though Paris is not a signatory of the non-proliferation treaty.

## French Minister scrapes home ahead of Socialist

BY RUPERT CORNWELL

PARIS, Oct. 19.

M. PIERRE ABELIN, French Minister for Overseas Co-operation, to-night scraped to a narrow victory in a by-election that both Government and Opposition treated as a major political test.

With practically all the votes counted in his home constituency of Chateaufort, 180 miles south-west of Paris, the Centrist M. Abelin had won 52.6 per cent of the second round poll against 47.4 per cent for his Socialist rival Mme. Edith Cresson. The run-up to today's voting was enlivened by the sudden appearance this week-end in Chateaufort of some 250 militant prostitutes anxious to attract further attention to their complaints about harassment by the police and tax discrimination. Earlier this year, Les Respectueuses had become famous by occupying churches and staging a partial strike.

The by-election outcome is hardly a major triumph for President Giscard d'Estaing. In the Parliamentary election of March 1973 M. Abelin who was then in the Opposition won far more comfortably with well over 60 per cent of the poll.

Although they lost this evening the Socialists in fact are the moral victors—not only coming close second with a candidate sent in from distant Paris but above all coming ahead of their Communist allies and rivals in the first round.

## Mrs. Gandhi widens detention powers

BY K. K. SHARMA

NEW DELHI, Oct. 19.

THE INDIAN Government has armed itself with powers to make arrests without disclosing the reasons for them. This has been done by amending the Maintenance of Internal Security Act (MISA) through a Presidential ordinance, the third such amendment since the state of emergency was proclaimed on June 26.

The amendment to the Act says that reasons for arrests under it shall be matters that would be "treated as confidential and shall be deemed to refer to matters of state."

The amendment is believed to have been made because of proceedings in certain courts in regard to detentions under MISA where the Government was asked to disclose the grounds for them to the judiciary, though not to the detainees concerned. Now, arrests under MISA can be made without giving any reason to the detainee or any court to which he may appeal against the detention.

However, the Home Minister, Brahmananda Reddy has said that about 40 per cent of those arrested under MISA have been released.

## Iceland fish stocks 'decline fast'

BY WILLIAM DUFFLORCE

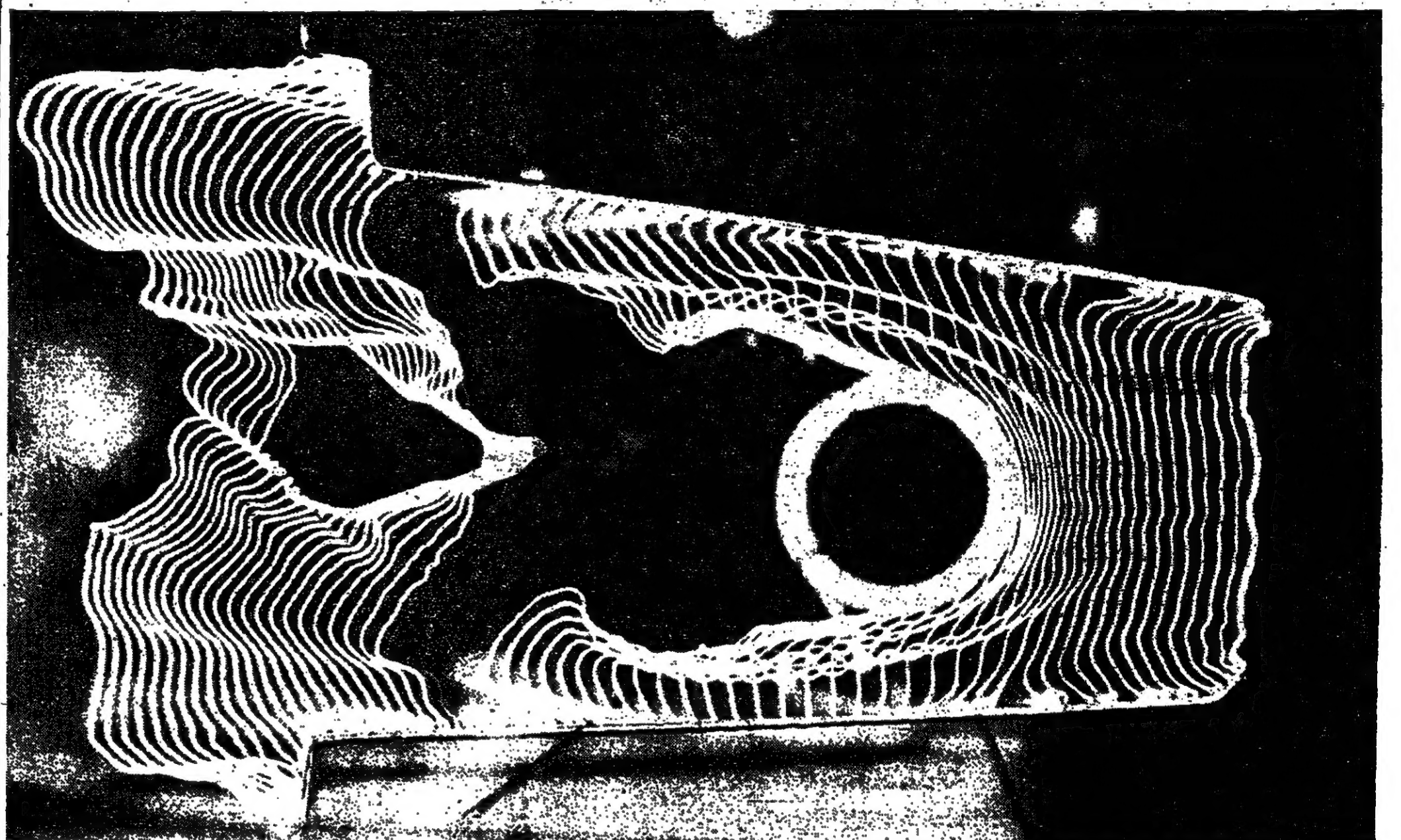
REYKJAVIK, Oct. 19.

THE ICELANDIC Ministry of Fisheries this week-end released findings by its Marine Research Institute indicating that fish stocks in Icelandic waters are declining faster than anticipated. The release is of special significance for the talks which open in London on Thursday on a new agreement for British fishing rights off Iceland.

The Institute recommends a reduction in the cod catch from an estimated 360,000 tons this year to 230,000 tons in 1976, if that, although Iceland's aim was the stock is to recover. Cod is the main fish taken by British fishing within the 200-mile limit waters off Iceland. Fishing of demersal species, cod, haddock, pollack, ocean perch, plaice and period "with other nations,

Greenland halibut would be limited to 428,000 tons in 1976 compared with 652,000 tons in 1974 if the Institute findings are accepted.

Publication of the report is bound to reinforce the views of those Icelanders who believe foreigners should be excluded at once from fishing inside the 50-mile area, where most of the cod reduction in the cod catch is caught. However, Prime Minister Geir Halgrimsson reiterated that to secure complete control over the main fish taken by British fishing within the 200-mile limit it claimed last Wednesday, it was demersal species, cod, haddock, pollack, ocean perch, plaice and period "with other nations,



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## The Executive's World: The Office

EDITED BY JAMES ENSOR

## Unilever learns to live without the P.O.

BY CHRISTOPHER LORENZ

FEW BUSINESSES would admit that the latest ill wind from the Post Office has blown them any good. What the P.O. calls the "average" business telephone bill will be increased by over 40 per cent, by the new charges which took effect at the beginning of this month; this "average" bill went up by 77 per cent last week when a new private about the same amount after the increases in April, so the net effect of the two will be a virtual doubling of bills in under six months, and a larger-than-average business which only uses the public telephone network will be hit even harder.

What the latest increase has done for business—arguably a day in business hours. The also to the benefit of the P.O.—is to make the use of "private wires" more attractive than before. These lines are rented speech-grade rented P.O. private from the P.O. (hence their alternative name of "leased lines") for use between two fixed points for 24 hours a day. Instead of being handled by the P.O.'s exchanges in the normal way, the switching connections there are set permanently in one P.O. will not alter the differ-

tion (in this case the telecommunications and data processing specialists).

Unilever spends about £4m. a year on telephone charges and must be typical of many large companies in that as much of a third of its telephone traffic is "in-house"—that is, with other Unilever departments and locations. But the approach it has adopted in the eight years over which its network has evolved is much more exacting than many of its counterparts in other industries, since it has laid a heavy stress on automatic desk-to-desk communication, rather than asking its executives to place their private line calls through an operator, on a queuing basis. "This is so the whole company can be treated as one office," says Mr. Tom Baker, Unilever's Telecommunications Manager and head of its consultancy service.

The central feature of the new network are three ITT automatic "crossbar" " tandem" exchanges in London, Port Sunlight (Cheshire) and Leeds. Lines are fed into the London exchange from Birmingham, the south-east and the south-west, while Port Sunlight acts as clearing house for much of Lancashire, though the Manchester area joins Glasgow, Sheffield, Hull and Newcastle on the Leeds exchange. A total of 135 locations—each with its own switchboard—are linked by the network, enabling 30,000 desks to be automatically connected.

The three exchanges are equipped to handle over 900 telephone calls simultaneously, making them larger than some of the trunk exchanges in the Post Office's public network. They are linked by wideband transmission systems known in P.O. parlance as "supergroups," each capable of carrying 60 conversations at the same time. Initially, 48 circuits are being used on the London-Leeds and London-Port Sunlight links, with 24 between the two provincial centres. The spare capacity will cater for future growth.

One of the reasons for choosing the finest speech quality circuits available, in spite of their extra cost, was to be able to carry facsimile and data as well as voice in other words, to provide the basis for an "integrated system." It also provides an illuminating case study of the political and technical difficulties a multinational faces in trying to set up an international network. And it underlines the need for greater co-ordination of management services-type functions within an organisation.



Sir Murray Fox, Lord Mayor of London, using the Unilever network to talk to his counterpart in Leeds. On the right is Mr. David Orr, chairman of Unilever.

It is preparing to add digital all, and that the co-ordinating body which they went on to propose for business communications policy was not in existence. Unilever's experience here is far from unique, and in many organisations the development of distributed computing in particular is causing problems for the telecommunications planners; even at Unilever, where the situation is on its way to resolution, the lack of sufficient input from the computer people three or four years ago left their telecommunications counterparts rather in the dark about

the data communications explosion which is now under way. These internal difficulties are naturally compounded when it comes to cross-frontier network working. But a more serious problem is the shortcomings of the telephone administration (PTTs) whose permission and facilities such as multinational calls to secure. The lack of international technical standards is the most obvious drawback, since it applies to such basic requirements as inter-exchange signalling as well as to more specific questions such as the

interworking of terminal equipment, with facsimile transmitters only one example. A further deterrent is the much-criticised cross-frontier tariff structure, which makes international charges far more expensive than ones over the same distance within a national boundary. Mr. Baker quotes a conference by Mr. B. London-Liverpool as being less than a fifth the cost of London-Amsterdam, for example. But the protective attitudes of some of the PTTs is also a major hurdle, and here the British Post Office is almost universally praised compared with its Belgian, French and German counterparts, with the Dutch in between.

This sort of restrictive attitude is counter to the economic interests of the administrations themselves, it can be argued, since while private networks may reduce their income (though even this is debatable), they also spare them the need to spend scarce capital resources on supplying large organisations with specialised facilities, especially in switching. The P.O., on the other hand, seems all too happy that Unilever was the one which laid out £750,000 for the new exchange in its network.

So the group can expect a tough time securing the private facilities it would like: in Belgium, France and West Germany, the Netherlands, already has private lines between the Rotterdam and London head offices and plans advanced for a Dutch private network which would be linked with the U.K. One project of special interest is for a visual teleconference link between the

## The Economics of a Private Line

Number of minutes use per day at which private line becomes cheaper

Distance Km	Morning Rate mins.	Afternoon Rate mins.	Cost per day £
10 km (6.25 km)	64	96	0.96
30 km (18.75 m)	31.6	47.5	1.90
70 km (43.7 m)	24.5	36.9	4.42
450 km (282 m)	68.0	102	12.25

Source: Unilever

position, so the line is continually open for the exclusive use of the tenant.

There are several grades of private line, offering different standards of quality and bandwidth (the breadth of the transmission path, a particularly important consideration for data communications). But even the lowest grade provide better speech quality than most connections over the public network, because they do not suffer the noise caused by switching a call through a series of exchanges. Add to this the advantages of not having to compete with the public for a free line and not having to pay for each conversation, and even a small organisation may be attracted to the idea of having an open line from one site to another.

The potential cost-benefits to such a small organisation have been dramatically improved by this month's tariff increases,

entail in the future, however). To quote Mr. Simmons, "the rest of the time is free." Or, looking at it another way, after the first 68 minutes of conversation, a private wire starts to clock up savings which during peak hours amount to £10.80 an hour for distances over 56 km. (This is based on the new peak STD charge of 18p a minute.)

Unilever's new network illustrates the massive potential for use of private wires within a large, geographically dispersed organisation, when instead of a series of point-to-point lines, the scale and complexity is sufficient to require a switched network. It also provides an illuminating case study of the political and technical difficulties a multinational faces in trying to set up an international network. And it underlines the need for greater co-ordination of management services-type functions within an organisation.

## Architects have the best office

BY ROY LEVINE

THE AMERICANS and the Germans build the best offices in the world—because that is what they are interested in: social services and build the best community housing. That is the view of Mr. Richard Sheppard, senior partner of the architects: Richard Sheppard, Robson and Partners, winners of this year's Office Of The Year Award for grade III, the converted office.

The biennial award has been running since 1971 and its object is "to promote a greater awareness of the need for an improved working environment in offices and its effect on business efficiency" with a view to raising standards.

It would indeed be surprising if one of the country's top firm of architects did not impress with its new offices that it had designed as well as built itself. No doubt the partners realised this when they started on their ambitious project to convert a derelict warehouse in Camden Town. Although the conversion was done at great cost (£1m), they have been conspicuously successful, having already won a Civic Trust Award and a recommendation from the Royal Institute of British Architects in addition to last week's plaque from the Institute of Administrative Management which runs the Office Of The Year competition.

The office certainly deserves the praise it has won. The old warehouse is not recognisable yet its owners have preserved most of the advantages of a triangular shape that provides a lot of natural light so beneficial to work done mainly around a drawing board.

## Atmosphere

Like any successful office, it creates its own atmosphere, irrespective of the location, which in this case is the seedy part of Camden Town just off Parkway. Although the environment is not plush, the combination of plants, natural wood and acute angles creates an atmosphere which is relaxed, quiet and efficient.

In the centre of the triangle is a brick-laid courtyard which acts as the entrance. On the second and third storeys the architects have built a glazed bridge which completes the triangular shape. Because a large proportion of the facade on both sides is window space, there is a feeling of brightness and space.

The ground floor is used for administrative offices and the upper two floors mainly for drawing rooms. There is an office-en-suite for the partners which includes kitchens, bathrooms and bedrooms. "Apart from the obvious personal benefit for many of us who live outside London, living accommodation was a condition stipulated by Camden Council in giving us a building permit," says Mr. Sheppard.

The freehold was bought in 1973 for £120,000 when the firm was looking for an alternative to the ussell Square and were faced with a large rent hike," explains block.



Mr. Richard Sheppard, senior partner of Richard Sheppard, Robson and Partners, which converted warehouse in Camden Town, London, into a triangular building on three floors surrounding a courtyard, giving a lot of light and spaciousness inside.

Mr. Sheppard. Camden Town was chosen because it was central and an up-and-coming area. "Most of the time we visit our clients but when they do visit us they are pleased with what they see," he adds.

The office space of 150,000 square feet is no bigger than its previous offices. But it can comfortably accommodate 90 staff which leaves room for future expansion considering the current staff level of 65, partly as a result of the recession in the profession and the building industry.

One of the keys to the firm's success with its new offices is that it did its own renovating. "We hired a lot of local labour and of course sub-contracted the electrical and heating requirements. But doing most of it ourselves gave us a lot of flexibility—we made decisions as we went along," comments Mr. William Mullins, the partner in charge of the move.

## Courtyard

In addition to the enclosed courtyard, the firm bought enough surrounding ground to build its own garden at the back of the office. That helps to add a homely touch to their new home. But unlike the fairy stories, the home is not perfect—renovating a building which is almost a century old has its drawbacks, and even Richard Sheppard Robson and Partners has not been able completely to cure the rising damp which is quite noticeable in at least one of the meeting rooms.

The other two winners of the competition who received plaques from Lord Robson, chairman of the jury of assessors, were the Eastern Electricity Board, and Albright and Wilson. The Eastern Electricity Board won the prize for its new purpose built office near Bedford 773 for £120,000 when the firm was looking for an alternative to the ussell Square and were faced with a large rent hike," explains block.



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## FINANCIAL TIMES SURVEY

Monday, October 20 1975

هكذا من الأصول

## FUND MANAGEMENT

The recovery in stock markets in the early part of this year was a breath of life for fund managers, who until then were facing a dire prospect. Even now some hard problems remain, since most of the established patterns of the past have been thrown into the melting pot.

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# Market recovery saves the day

DURING the latter months of 1974 fund managers reached a crisis point, for almost no one was prepared to forecast better times in 1975 and there was an unhealthy trend for ordinary investors to switch their investments to "havens of last resort." These included not only bank deposits and local authority loans but also gold coins like sovereigns and Kruggerands. It was even possible to hear sophisticated people talking in detail about the "shelf life" of canned food and predicting that the best performer in 1975 would be the "Baked Bean Fund."

Fortunately, the bell rang for the equity market in the U.K. at the beginning of this year and a similar though less accentuated recovery has been experienced by other world stock markets. This has gone a long way towards restoring the fortunes of unit-trusts and investment trusts and the public does seem to be very pragmatic about changes in investment fashion and appears to have adjusted its sights very

easily over a nine-month period this year from "conservation at all costs" to seeking "new growth opportunities." There is also evidence that the fund management business has not suffered from investors' lack of confidence, for the average unit-holder or bondholder, not only remained extremely constant to his holdings during 1974 but also tended to turn even more towards the professional.

One of the most notable areas of success both this year and last year is the "share exchange" scheme, whereby ordinary shareholders exchange their portfolios for units in a unit trust on advantageous terms. Most of the big groups like S & P, M & G and Barclays Unicorn operate such schemes and they certainly kept the wolf from the door last year. People may not have much confidence in the abilities of fund managers but they had even less in their own.

Looking at the various areas of fund management at the moment they all appear to be doing much better, but one can sense that there is a good deal more caution about than if the stock market recovery had been more gradual in the early part of the year. No one is quite prepared to burn all his liquidity boats, though—paradoxically—confidence appears to be increasing now that the stock market has continued to move sideways for several months.

## Cautious

Where unit trusts are concerned, the sales recovery went in line with the stock market, though investors were cautious (and wise) enough to go for high-yielding funds. Yields of over 18 per cent were available at the beginning of the year and one did not have to look very far for a "blue-chip" fund with a double digit return. Now the accent has swung more to funds concentrating on shares with "overseas earnings or overseas assets" and this has made life very complicated for fund managers.

Just like British industry at large they like the bread-and-butter business to come from the home market, for overseas investment is complicated. To be effective it has to take account of currency movements and this is an arm of fund management which the man in the hat seat feel that worried about—remembering the troubles with dollar loans during 1974.

But in general the performance of unit trusts this year leaves little to complain about, for although very few have

beaten the F.T. Actuaries Index, there are a number whose units have doubled in value since the beginning of the year and very few which actually show a loss. Those which do are either those where the managers refused to believe that the stock market recovery would persist or those with a "gold" orientation. Lately the uptrend in sales has slackened mainly because of the more even tone of the stock market but partly perhaps because of alternatives which are available.

Investment trusts too have benefited from the stock market rise and discounts are now down to about half the 45 per cent level they reached at one stage last year. In fact investment trusts were one of the obvious sectors for other institutions to go into when they realised that a stock market recovery was under way. The reasoning lies in the gearing element and the large overseas holdings which many investment trusts possess. Institutions such as insurance companies wished to hedge their bets and—as with unit trusts—the funds which did best were those which suffered most in 1974 from the gearing effect of dollar loans. Recently there has been a tendency to take out new dollar loans.

The property field, on the other hand, is not entirely clear of its troubles and the managers of property bond funds are well aware that the reputation which property once had as a "low-risk" investment has been dealt a severe blow by the collapse of the 1972-73 property boom and the associated troubles of companies such as Nation Life. But the large groups, such as Abbey Life, Saye and Prosper, Hambro Life, and Property Growth have all found that investors are once more on the feed for bonds and are thus making renewed promotional efforts. These stress that the five-year record of property investment has been better than that of equities (despite the individually spectacular property debacles) and that a further recovery in property fortunes may be expected if the economy improves.

But the will to buy properties at whatever cost and to develop new sites has now been replaced by a desire to conserve a higher degree of the liquidity than would at one time have been thought necessary. This is despite the fact that buying from institutions such as pension funds and insurance companies is again having a cheering influence on the property market.

As for pension funds and in-

surance companies (the traditional ones as opposed to the unit-linked offices), these have been growing in influence as major determinants of the future of the various investment areas and fund managers generally are taking more notice of what the "big guns" are doing. It is noticeable, moreover, that more and more of the smaller institutions are becoming interested in getting slices of pension funds to manage. This is likely to be an increasing factor over the next couple of years for although personal saving or investment is discretionary, everyone is required to make provision for retirement and the private sector is keen to get its share of the expanding cake.

## Specialised

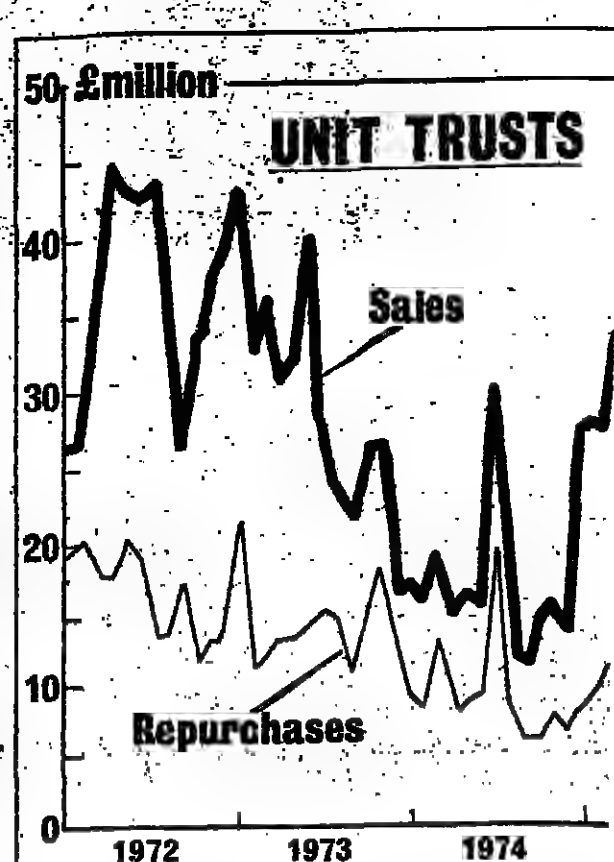
On the other hand, the emphasis seems to have gone of "alternative investments" such as wine, coins, stamps, stuffed animals, etc., except for specialised investment services such as that offered by Stanley Gibbons for example. The reason is that many "alternatives" proved to be the most unmarketable of all during 1974 and the difficulty of valuation is always a stumbling block when prices are falling. The exception

to this is possibly direct investment in commodities through the "fund" medium, but this is an area which suffers from the lack of controls where the private individual is concerned.

Indeed, the whole question of controls has been a major feature so far this year. Unit trusts have been safe enough because they have always been closely supervised by trustees and the Department of Trade. But where property funds and insurance companies are concerned, there is considerable anxiety that an over-speculative environment should not be allowed to develop again and there is likely to be a further tightening up of regulations over the coming year.

This is all the more important for the fund management sphere in that the State has made considerable efforts to make its products competitive. Leaving aside the £500 Retirement Income certificates, the new index-linked SAYE plan makes it more difficult for the private sector to compete—unless the rate of inflation halves from its current levels. The latter situation may be on the cards but whether it does or not, the fund management industry must be seen to behave in a responsible manner.

Christopher Hill



The uptrend in unit-trust sales has slackened late, mainly because of the more even tone of stock market but partly perhaps because of alternatives available.

## Strong arguments for investing abroad

EVERY ECONOMIC misfortune suffered by this country tends to play into the hands of the promoters of overseas funds. With sterling almost continually in decline—it has now fallen by over 10 per cent this year on the Smithsonian basis—and capitalism more strongly under attack in the U.K. than in many other developed countries, the arguments for investing abroad are obvious enough.

The investment trust industry has always had a very strong overseas orientation, playing a central role in the City's worldwide activities since Victorian times. More recently, many quoted investment trusts have been particularly notable for their holdings of American equities. At the end of 1974, perhaps exceptionally (due to the freakishly low level of the U.K. market) investment trust holdings of overseas Ordinary shares were actually higher than their U.K. equity investments—£1.39bn. against £1.19bn., taking market values.

Many specialist unit trusts have also been launched over the years to meet the demand for overseas investment. The popular areas include the U.S., Japan, Europe and Australia, while various gold and commodity funds have provided a slightly different approach to an international orientation. The year 1972 was especially notable for overseas activity—in that year unit trust aggregate purchases of U.K. equities, at £74.5m., only slightly exceeded the £70m. invested in foreign stocks. But the overseas investments of unit trusts are in total well under a fifth of overall assets.

## Cloud

This year, the overseas trusts have found events tending to move against them. Since January the U.K. equity market has easily outperformed any overseas centre, while the gold and commodity sectors have been under a cloud. No overseas funds have any chance at all of getting into this year's short-term performance tables, despite the weakness of sterling, and funds are thrown back on the longer term arguments. For all that, quite reasonable demand has been evident at any times, especially for U.S. and Japanese funds.

Tight controls on the outward movement of capital from the U.K. provide the framework in which overseas funds have to operate. Fund managers have to make a choice between investing through the investment currency premium or by using specially negotiated back-to-back loans.

Both methods carry their own particular risks besides the volatility of the underlying foreign securities in which the money is ultimately invested. And potential buyers of such funds have the alternative of investing in domestic trusts, where the indirect overseas content may be quite high—after all, the average large U.K. company derives around half of its profits from overseas subsidiaries and from U.K. exports. In a very real sense the London equity market itself carries a strongly international emphasis, and shares—or funds—can be bought without incurring the peculiar complexities of overseas investment.

The premium, for instance, has shown large and erratic movements over the past few years. In early 1973 it almost disappeared, following enlargement of the pool in 1972 (when the old sterling area finally disappeared) and the move by U.K. investors out of Hong Kong. But by spring this year the effective rate had soared to over 80 per cent, and is still above 50 per cent.

This means that investors who take the investment currency route are necessarily very heavy gamblers in the premium itself. This is particularly relevant for Common Market shares, since it is official policy to take these out of the premium pool in due course as part of progress towards a unified capital market within the EEC. Nobody really believes this will happen as scheduled on January 1, 1978, or at any other time in the foreseeable future, but the possibility is there.

Moreover, when the premium is high the 25 per cent surrender rule—a quarter of sale proceeds have to be converted to sterling at the normal exchange rate—becomes very expensive, sometimes amounting to a tax of over 40 per cent on switching. One investment trust, North Atlantic, actually had a rights issue this spring because it did not want to disturb its U.S. portfolio, financed with premium currency.

The alternative loan-financed route avoids this switching penalty, but it has its own traps. A decision has to be taken on which currency should be used to denominate the loan, and many trusts which did not match their currencies properly found themselves losing heavily during the exchange rate turmoil of 1973 and 1974. Apparently "cheap" Swiss franc borrowings suddenly became extremely expensive.

Moreover, a degree of cover has in any case to be provided for the loan portfolio by the use of premium currency, and weak overseas stock markets can turn loan-financed funds into forced buyers of investment dollars.

In practice, fund managers are probably trying to balance their use of loans and premium currency depending on the level of the premium at any particular time. Ideally, they would have topped up with the premium during 1973, but leaned more heavily on loans recently. This degree of flexibility is a strong selling point for funds aiming to attract money from private individuals who can only take the premium route.

Loans may become more popular if sterling's difficulties escalate still further. There is a danger of sudden changes in the regulations governing the investment currency pool. Although in extreme circumstances overseas portfolio assets might be frozen or expropriated—as in the last war—they could be marginally safer if foreign bankers' money is involved. But any buyer of overseas shares or funds has to accept a degree of political risk.

Different fund management groups offer various choices to the investor trying to pick his way through this currency jungle. Many of the large groups—like M and G, for instance—tend to go for a mixture of the premium and currency loans.

Some of the switching disadvantages of the premium route can be reduced by putting the more volatile and frequently dearer stocks in the loan portfolio, and reserving the premium slice for larger, longer term investments. One suspects, however, that this sounds more convincing in theory than it works out in practice.

## Offshore

One way of increasing flexibility is to adopt a two-tier concept as the Tyndall group has done. Under this system the "basic fund" is an offshore affair—in this case based in Bermuda—but rather than buying units directly through the premium, U.K. investors can channel their money through a Jersey-based sterling feeder fund. The latter can then adopt a balanced premium/loan strategy, while there is no question of switching problems (or capital gains tax, for that matter) in the offshore fund.

Among the onshore fund managers, Trident takes a rather different line from that of most others, reckoning that the investment currency pre-

mium is unacceptably thus to be avoided as possible. So this group loans to the maximum but adopts safeguards—a high cash content in the fund—to protect its fund against problems in minimum cover for loans in low.

It points out that advantages for loan portfolios when share rise; the profit over borrowings emerges. In this fast developing other approaches will emerge. Certainly fund managers have learned a lot from their often unexperiences of the past two. The basic aim is that in gaining the exposure to overseas stock investors are not also unduly exposed to risks.

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## FUND MANAGEMENT III

## Responsibilities of trustees

RECOVERY in the stock market this year has naturally led to increased portfolio activity in the unit trusts. And this has meant a great deal more for the trustees who actually have the job of carrying out the wishes, as well as seeing that the unitholders' assets are being safeguarded, the biggest administrative headache to emerge over the past few months has been the issue of how to raise further money in the stock market via issues. One clearing bank, in the unit trust field, has had to treble the number of issue clerks it is working on the 70 or so in its care.

Is this side of the unit trust industry that unitholders seldom

see and therefore rarely appreciate. It is largely due to the efforts of the trustees over the years that the industry has developed along such responsible lines—relative, that is, to other areas of the savings industry. In addition to dealing with all stockbrokers' contracts, letters, collecting and distributing dividends, handling rights issues and scrip issues, creating and liquidating units, the trustees have the more tricky task of monitoring investment decisions and vetting advertising material. These are roles that are taken very seriously.

The trustee has to steer the middle course between interfering to too great an extent in and at the same time making investment managers' decisions sure that the original objectives

of the fund's trust deed are adhered to. A member of the public buys a unit trust for the expertise of the investment manager and not the trustee. Clearly, in order to observe and appreciate what is going on in a portfolio the trustee must have a very sound working knowledge of the Stock Exchange—both in terms of procedure and investment appraisal. There are unit trusts specialising in certain market sectors, there are others specialising in geographical areas; and there are the trusts that go all out for income or capital growth. The trustee must have, or have access to the necessary expertise, to consider all these fields. Still further considerations have been tacked on to the trustee's responsibilities in recent years in the form of

life assurance, to which the majority of funds are now linked in some way, and foreign exchange for the overseas funds. Foreign exchange complications have probably caused most problems of late. Not so very long ago, because the investment dollar premium was so historically high—since then of course it has travelled even further—the investment managers in their wisdom decided to employ back-to-back foreign loans for overseas investment. First, the loans were in specific currencies and later they took the form of multicurrency loans. This effectively dodged the premium but laid the funds open to fluctuation in foreign exchange rates. The subsequent falling out of bed of a number of leading currencies

and Stock Markets meant that in quite a few cases these loans became uncovered. The effect of this was to send the trustees scurrying into the investment dollar market to buy dollars to cover the loans. All in all, most managers, in retrospect, would agree that this was an expensive exercise. The loans are still being set up, however, and the majority of trustees (which are mostly clearing banks anyway) usually set up the loans through their own parent bank—provided, of course, that the terms are competitive with the rest of the market.

From the official standpoint—in this case the Department of Trade and Industry, which has overall responsibility for the unit trust movement—the trustee must have basic qualifications apart from his knowledge. There are three basic requirements: first, the trustee must be 'totally independent' from the management company; second, the trustee must have an issued capital of £500,000 of which £250,000 has to be paid up; and third, the assets must be sufficient to cover liabilities. Those are the qualifications that are visible. The final, less obvious barrier to cross is gaining the approval of the Department of Trade, which has complete discretion and takes the award of trusteeships in the unit trust business very seriously indeed. The could account for the fact that the unit trust industry is in the hands of only a few trustees.

come out of the combined fund. The trustee therefore has a dilemma. Should the trusts merge and the stamp duty be paid, or should the merger not be allowed to go ahead in the interests of performance? At the moment the situation is unresolved and discussions are still continuing with the Inland Revenue.

## Custodian

Another area where trustees are becoming increasingly important is in insurance: this goes not just for life assurance but for general insurance. The Department of Trade, under new powers introduced in the Insurance Companies Act 1974 (which takes the place of the Insurance Companies Acts of 1959 and 1967, and the Insurance Companies Amendment Act 1973), can demand that an approved trustee be appointed as a custodian of certain assets. The DTI can call for this measure in the event of a new company being formed, even if it is a subsidiary of a well-established company, or in the event of a change of ownership. The only qualification the trustee must have is the approval of the DTI.

The function of a trustee in this situation is entirely different to that when a unit trust is involved. There is no policing or watchdog role to perform. The trustee merely looks after a certain proportion of the assets of the company, the percentage being set at quarterly intervals when that company must make a routine return to the DTI.

## Numbers

Barclays is reckoned to be the largest in terms of funds under management on account of the Save and Prosper funds. Midland is narrowly the biggest in terms of the number of individual trusts it runs at just over 70, with National Westminster currently at 68 through the recent acquisition of the funds of Jessel Group—formerly with the Midland and National—which were scattered around among a variety of trustees. This follows the take-over of the management companies by Slater Walker which has always dealt in the past with Natwest and is now seeking uniformity with its new funds. Slater Walker accounts for 44 of Natwest's unit trust trusteeships.

An interesting side issue for the trustee to contemplate in this particular case is what is likely to happen in the event of some trust mergers, of which there are bound to be some. For example, all three of the underlying staples—Jessel, National and Slater Walker—have High Income funds. If the three funds are to be merged under one trustee (Natwest) the Inland Revenue is entitled to claim ad valorem stamp duty due to a change in beneficial ownership. The combined value of the funds makes this charge little short of £500,000 which would have to

Keith Lewis

## Offshore funds revive

NOW over six years since investment appeal of offshore funds first began to take a battering. Investment in speculative areas, loosely stated systems for calculating and perhaps most usually the collapse of such as the IOS Group, Gramco, The Real Estate Fund of America left offshore funds with a tarnished image at the end of the sixties.

is and a general decline in investment opportunities, as stock markets throughout the world went into recession, meant that many groups, all money management are fund managers were affected only out of business and those remained were forced to tighten regulations than had previously existed. In the past, offshore funds were able to operate almost any country, but owing to the problems of the sixties-most of the leading offshore centres including the U.K. and Western Europe, closed their doors completely on this type of fund. Not only offshore funds now proceed from being domiciled in countries but the investment managers are also unable to advertise this type of investment opportunity in those

are all depressed and no capital gains can be made these attractions have limited appeal. However, there has been evidence recently that this prolonged bleak period for offshore funds may have ended and public confidence in them may be returning. Dominating the offshore funds markets in the U.K. are Save and Prosper, Slater Walker, Cornhill Insurance, Target, Tyndall and Jardine, all of which are operating funds which are showing healthy growth over 1975-76. Not surprisingly, these funds, which were affected only slightly by the introduction of tighter restrictions, are all depressed and no capital gains can be made these attractions have limited appeal.

## Notable

Perhaps the most notable effect which these groups felt was the increase in costs which the tightening-up produced. By banning the setting-up of offshore funds in such areas as the U.K., the U.S. or Europe, the authorities concerned were forcing the investment managers to look further afield for homes for their funds and thus incur higher operating costs. The major areas for offshore funds now are Bermuda, the Cayman Islands, the Bahamas and the Channel Islands (Jersey and Guernsey). Of these of course only the Channel Islands are still members of the sterling area and that leads to another difficulty which offshore fund managers have been faced with in recent years.

In order for a U.K. domiciled investor to purchase units in a fund which is based, say, in Bermuda, he must first buy investment dollars and pay the investment dollar premium. This has meant that very few of these

funds have had much appeal for a U.K. national. Some investment managers have tried to get around this problem by establishing a 'feeder' fund in Jersey in which a U.K. investor can invest without purchasing investment dollars. This 'feeder' fund then invests the money in another fund which has been established outside the sterling area. Even so, there is a strong consensus of opinion among many investment managers that most U.K.-domiciled investors would probably be better off placing their money with a U.K.-based unit trust.

The area now used as a domicile for offshore funds usually have several important factors in common. These are a low standard rate of income tax, no higher rate income tax, no surtax, no capital gains tax and no estate duty or capital transfer tax. It is feasible that a U.K. national could stand to benefit from these advantages but it is important to remember that the people who stand to benefit most from any offshore fund are those for whom it has been specifically designed and in many cases this means U.K. expatriates, or people residing in countries outside the sterling area.

Offshore funds can be, and often are, tailored to suit a particular investment taste which could be peculiar to a certain area. After all since the investment managers are unable to actively market their wares in any of the leading financial centres of the world it is important for the funds to have sufficient obvious appeal for the people at whom they have been directed, for any approach to come from the investor. This probably explains some of the recent revival in interest in offshore funds throughout the world. An example of a

trust which has been designed to suit a particular investment taste is the Slater Walker Energy Trust which was launched last year. This trust which specialises in investment in the North American energy sector attracted a great deal of attention and quickly pulled in some £2m.

This fund clearly had appeal for several types of investor, that is, those residing both in and outside the U.K., but more and more, investment managers are attracting interest to their funds by aiming them at the residents of a particular country. At the moment those areas which are receiving a good deal of attention from the managers are, predictably perhaps, the Middle East and Japan. Several of the leading U.K. groups have combined with international houses for the purpose of setting up Luxembourg-based funds which have been designed specifically for the Japanese investor.

Thus the funds which have been designed with a particular investor in mind are attracting attention at the moment, and the growth performance of the leading offshore funds so far in 1975 must have some appeal for investors. So far, though, the revival of interest, although quite definite, has been only gradual and whether world-wide enthusiasm for offshore funds will ever return to the level of the peak years of the mid-to late-sixties remains to be seen. Confidence is returning in certain areas and new markets for offshore funds are being explored, but it will probably be another two years at least before the level of international interest will be sufficient to cause any excitement among the fund operators.

Tom Kyte

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## Security of fixed interest

INVESTMENT in equities and property as vehicles for capital appreciation took a hard knock last year with the collapse of stock market prices and the depression that bit into property values. Coupled with the not undesired attention that a soaring inflation rate was commanding it is not surprising that the search for income was on. Yet even though equities were offering yields of over 20 per cent with dividend cover more than adequate to sustain payments through the recession, investors' confidence in shares was shaken and many turned to other forms of investment. Against this background the proliferation of "money funds" offered by life offices gained pace.

The first of this type was offered by Hambro in January 1974 in the guise of Convertible Investment Bonds invested in the Fixed Interest Fund. In fact this fund is still the largest with around £52m. invested; the high point was over £70m. It was introduced with foresight—the equity market had yet

really to fall. Investors nervous about traditional investment through managed or property funds like Hambro's Convertible Bonds were given the chance to invest in what was basically a short-term opening to take advantage of high interest rates without any fear of capital loss. Invested in fields such as bank deposits and local authorities, funds like Hambro's Convertible attracted investors on the grounds of high security and steady increases in unit prices each week, as interest earned is automatically reinvested, thus increasing the value of the fund.

But the switching facilities they offered were also important, not only to the investor but to the life offices. Most of the bonds allow a free switch of all money invested into another fund offering property or equity investment. The point here is that investors can hold their money "on deposit" awaiting the right moment to move into other areas of investment. Most offices allow a switch back into the money funds at a later date should the investor wish, but this is not always free of charge. The benefit as far as the life offices are concerned is that they can keep hold of the investor's funds by offering a free switching facility.

Although money funds have lost some of their significance with the recovery in the stock market—Hambro reports switchings, mainly into its managed fund, of a quarter to half a million investors each week—they still represent a useful mode of investment while the investor holds fire in some other sector. However, potential investors should be aware that not all of the funds offer the same security.

Basically, the majority of

bonds on offer can be broken down into three, admittedly relatively indistinct types—those which invest solely in bank deposits and local authorities, those which can invest in gilts as well, and those where the investment scope includes convertibles and high-yielding equities. So any investor must be aware of a possible fall in bond values if investing in anything but the first type.

## Performance

Similarly, an investor must not be short-sighted when picking a likely money fund in which to invest. For he must also take a look at the attractions of other funds under management by the life office into which he will be able to switch. So the performance of all the office's funds should be scrutinised.

In a similar vein fall the investment vehicles such as the Simco 3-month fund and 7-day fund managed by Saturn Investment, a subsidiary of M. W. Marshall Investments. Both funds require a minimum investment of £1,000, which is invested with either U.K. local authorities or joint stock banks.

Basically the advantages to the lender of the 7-day fund is that he need not be concerned with placing relatively small sums of money in the market, but can easily invest in Simco's funds, which will obtain current market rates and repayment of part or all of the deposit can be arranged on seven days' notice. The 3-month fund works on a similar basis except that an agreed rate of interest is given throughout the three months and repayment is auto-

matic at the end of the term. Of course the spectrum of fixed-interest investment is considerably wider than just a matter of sitting back and letting managers invest in the money market for you. The choice spreads right through bank deposits and building societies through to high yielding loan stocks and Preference shares. However, with inflation continuing at high levels it is going to be hard to find an investment which can at least hold the real value of the original sum. In this respect the index-linked issues by National Savings provide an answer.

The National Savings SAYE index-linked issue introduced on July 1 this year provides a guarantee of maintained purchasing power which no other investment can offer. The SAYE scheme operates on 60 regular monthly contributions of any sum between £4 and the maximum of £20. The amount is fixed at the beginning of the contract and remains constant throughout, so if you pay £10 per month and wish to increase your investment a further contract is necessary (the aggregate contributions must not exceed the £20 limit). Each of the 60 payments is adjusted in line with changes in the Retail Price Index so that at the end of the five-year term the investment is repaid, but all contributions have been adjusted for the increase in the cost of living; that is, the first contribution will be indexed for 60 months and the second for 59 months and so on until the last contribution is indexed for one month.

After five years the investor has the option of leaving the money invested for a further

two years, no further contribution being payable, and the investment continues to be adjusted in line with RPI. In addition there is a bonus equal to two monthly payments. Index-linked National Savings Certificates, restricted to persons of retirement age, are a similar animal in that the investment is again linked with the movement in RPI. The purchase price of the certificates are £10 per unit with a maximum holding of £500, and they are held for five years to maturity with a bonus of 4 per cent in addition to the index-linking.

## Portfolios

Both these issues are free of U.K. income tax and capital gains tax, but that apart the benefits to a holder are obvious, and though the limit of investment aims these schemes at the smaller investor there is no reason why it should not feature in all portfolios.

For anyone considering investment in traditional fixed interest fields such as National Savings Certificates, finance house deposits or British Savings Bonds it is worth taking a look at the table published in Money Management magazine where a comprehensive list enables one to match returns at various tax rates.

However, one of the best short-term homes for cash at

present, following the hike in the minimum rate to 12 per cent, is month Treasury Bills, a minimum unit is £5,000. These are post-dated repayable at £100 per cent to the Government, and is calculated by the discount price to face value. Currently these compare favourably with returns from, say, building societies, and although they are marginally bettered by authority loans, such as bonds, an investor is only in for three months. He wish to sell before there is a ready market bills can be bought at either a discount house bank though the charge, tedly small in both cases, generally less in the discount house.

I have not touched interest stocks such as preference shares for the reason these investments can amount of capital risk should be remembered yield is normally as with high risk. More these days of dividend ordinary shares limited per cent dividend looking more like fixed stocks in that the return less there is the though possible dividend cut) ally known in advance.

Terry G

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Christopher Dunn

## Stockbrokers and the small client

THE POPULAR image of stockbrokers is often that of an exclusive club of financial experts who concern themselves largely with the big money. This view is given some substance by a recent survey which revealed that most of the well-known stockbrokers will accept only portfolios worth over £100,000.

Even if an investor does manage to get an account with a broker, the complaint again is often that richer clients, like the institutions, always receive more attention. This is not altogether surprising. There are physical limits to the number of bargains a stockbroker firm can carry out in one trading session, so dealers will concentrate on business bringing in £1,000 in commission, rather than £10. But when firms act as a partner, quantified this opening policy slightly by saying the partnership prefers not to take portfolios worth less than £1,000 unless there is a personal recommendation. Nevertheless, this threshold is a long way below anything quoted by the major broking houses.

The firm's reaction to the last like in commissions epitomises its attitude towards the private client: the whole clientele was circumscribed with an explanation for the changed dealing rates rather than just having to adapt to a de facto increase. Services offered by Seymour include free valuations at least twice a year, and a monthly review. More elaborate publications are avoided, because of the house concentration on dealing situations. These would have disappeared in the time it takes to prepare a circular, so contact with clients by phone is preferred.

Nevertheless the firm has developed one area of speciality—water issues. The firm is broker to most of the various water companies fund-raising operations, and reckons this is an ideal investment for the private client over five years. But small firms offering a personal service, with a particular speciality, are not the exclusive preserve of London. There is a vast range of provincial, brokers scattered the length and breadth of the U.K., doing just that. London may have the glamour, but when it comes to cost-effective service, then the provincial broker is vastly superior—and always overlooked.

## Large sums

Moreover, some of the larger London firms (Grierson Grant, for example) have very large sums in their private client departments and provide a variety of services for clients with perhaps £20,000 upwards. The service increases with the amount of money involved and the extent to which the client is prepared to give the broker discretion. They tend to be upset that prominence is always given to stockbrokers' institutional business (or lack of it), but admit that they have been shy in the past about overtly promoting their private client management capability.

Stockbroking offices are pretty fluid, venturesome places, too. So once a client has been taken on, he should receive most of the firm's output, whether or not this is allowed. One blue button used to boast that he gave the best private client service in the market. Not only did he "purr" to his clients all the firm's glossy investment brochures meant for serious institutional investors, but through market

contacts, he got hold of every one else's circulars and "purveyed" them as well.

There are smaller firms in London who make no secret of their interest in the smaller client. The next rent review may limit this interest in the future, but even after last year's spate of mergers, there are still a fair number of firms around which treat such business as their bread and butter.

Seymour Pierce comes into this category. It is one of the six oldest firms in the City, with records dating back to the eighteenth century. By its own admission, it is "not too keen to grow."

There are very few restrictions on the size of clients' business. Derek Greenwood, a partner, quantified this opening policy slightly by saying the partnership prefers not to take portfolios worth less than £1,000 unless there is a personal recommendation. Nevertheless, this threshold is a long way below anything quoted by the major broking houses. The firm's reaction to the last like in commissions epitomises its attitude towards the private client: the whole clientele was circumscribed with an explanation for the changed dealing rates rather than just having to adapt to a de facto increase.

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This is the view of Roger Catell, a partner of Sheffield brokers Christopher and Westinholm Barber. The in-house speciality is the quoted part of the Steel City itself, while the personal element was evident immediately. The senior partner was not available for comment, because he was interviewing one of the oldest of the lady clients. "He's been with her for an hour, and he'll get damn-all business, but it keeps up the contact."

Barber turns nobody away since office rents are only a

fraction of London levels, there is just no need to be sniffy about smaller clients. Mr. Catell also pointed out that turnover among the office staff was lower; so the production part of stockbroking tended to be more efficient.

The range of facilities which can be on offer makes it hard to understand why investors should always bother with London. Judging from its list, Albert E. Sharp appears to be Birmingham broker to about half the industrial Midlands, and there is an extra hidden advantage here too; the firm tends to rub up against directors far more easily than, say, in London.

## Assessment

For fully discretionary clients there will be a daily assessment of the portfolio to take in special situations, and the investment team will be headed up by 2 or 3 partners detailed to look after the portfolio. There is a full complement of analysts, plus a chartist, to produce printed back-up material, and the only visible difference between this structure and London's offerings is that it starts far lower down the scale—at around £20,000. Clients with about £100 would be guided towards a unit trust, a portfolio worth around £1,000 would be border-line in terms of interest, but the firm would start to sit up at anything over £2,500.

Provincial firms on the whole, though, do sound slightly defensive about the dealing distance between their offices and London. They will assert that there is no point in maintaining a London outpost, that their prices are just as competitive. But there is always a risk of not being in the know, of missing out on a vital piece of information, and this is the other part of the trade-off that includes, as pluses, possibly cheaper dealing costs and a more personal service. This is why portfolio recommendations in the provinces tend to be more conservative. Larger companies like ICI tend not to go broke so often.

Moss Scriven is certainly more aware of this problem than most country brokers. It runs a branch broking service that runs through Reading, Oxford and Gloucester, taking in some of the plush "retired money" parts of the country as its catchment area. The mechanical part of the business, including dealing, is centralised at Reading, and each branch office is manned by a couple of partners, with secretarial support. The firm stresses how accessible it is—"a part of the social scene, just like the family doctor"—and reckons that the in-house range of stocks it uses is flexible enough for all clients' needs.

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# Unit trusts ride out the swings

## Terry Wilkinson

## Christopher Hill

\*Money Management, September 1975.

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## FUND MANAGEMENT VI

# Demand for personal service

WE BELIEVE more and more people are realising the need for their investments to be managed by an independent and experienced adviser who can act for them and be continually in touch on their behalf with the changing world of investment. Thus reads the introduction to a typical advertisement currently offering a personalised investment service.

Chosen at random, this typical piece of promotion goes on to explain that its service is designed for portfolios of £25,000 and over; and that among its many advantages are included regular reviews as well as client contact "to achieve the best results." By and large these two factors are what distinguish the personal investment service from its off-the-peg cousin, the unit trust. The sums of money involved are generally far higher, and they are thus able to attract the personal

touch. Despite the tax squeezes of successive Chancellors, declining public spending power and (most important of all) the hard economics of the investment business, demand for this type of service remains to-day quite remarkably buoyant.

In comparison with an investment in one of the 350 or so unit trusts available to the public, the cost of putting money into the hands of a personal portfolio manager—whether clearing bank, merchant bank or the small non-deposit company operating on the outskirts of the City—is going to be higher. So why bother? There are, of course, any number of ways in which this question can be answered: many unit trusts, properly managed, have done well; some have not. The best tax advantages where larger sums (up to, say, £100,000) are concerned; and "packaged" investments can contain a number of operational drawbacks.

Unit trusts, for instance, contain built-in investment limitations. Not more than 5 per cent

of a unit trust portfolio may be invested in any one share, which immediately places a theoretical minimum of 20 shares on the investment spread of a unit trust. Admittedly, investment approaches differ and no one can rightly claim to hold the key to successful share performance, but none the less it is an accepted generalisation that the more concentrated portfolio is rising, especially at the rate shown by equities this year.

Personal investment management comes in a variety of guises. The four clearing banks have a sizeable stake in the industry and so too does the merchant banking fraternity; quite a number of conventional unit trusts groups are also involved, along with stockbrokers and countless numbers of small companies, a surprising number of which are licensed dealers in securities. The level of service can vary strikingly but within the flexible framework that a personal service must of necessity work there a number

of strands of standardisation. First, the investor with anything from £10,000 to £100,000 to invest can expect to come face to face with his employee—the man that is to manage his money. In the course of these initial discussions, managers will often discover a lack of overall financial planning. They will either undertake a reconstruction job themselves or effect introductions to other professionals. The aim is to emerge with a clear cut investment policy tailored to the needs of the individual. At this meeting the decision will also be taken on a degree of discretion—is the manager to have a free hand, or does the investor insist on playing a role?

### Planning

Some investment groups charge an "introduction" fee, but normally this early planning costs the prospective client nothing. Elsewhere, the administrative aspect of the industry throws up a wide variety of fees—and the occasional batch of

abuses. Some companies have the investor will receive arrangements with the clearing banks whereby all shares are registered in nominee names, and special accounts are opened at the bank in question for the appropriate client. Other managers register all shares in the client's own name. Usually the client will sign a letter of authority giving the managers the power to order the bank to accept instructions with regard to cash and securities.

Such a custodian arrangement would normally be preferred by a client; it is not only an extra safeguard but it involves the least amount of paperwork. As for the discretionary investment authority of the manager—most companies press for this right, and many will not operate any other basis—this would ordinarily be limited to transactions involving shares.

With most investment companies it is never easy to pinpoint the actual amount of "personal" work involved in a client-manager relationship. The starting point is clearly the periodic progress reports that

the investor will receive. Standby, these will all both in quality and in number of times that they will pop through the letter box twice a year but exception rather than the rule. Where portfolio management on a half-yearly basis generally send out some market report of some kind in the interval.

The more active value more frequently practices most investment companies will prepare value valuations 12 times if demanded, though a charge. An investment company's standard half-yearly valuation includes a full account of undertaken, an analysis of the portfolio, a running capital gains (or loss) statement of income. In some companies send contract notes each deal.

As for the cost of a used investment, the rule seems to be that the investment company's service to be and this therefore, the low-cost operations sound.

Performance fees: a striking contrast to managers charge their performance out market average (the index)—both going up and down, so that if, find themselves paying, vestment performance. Others charge percentage of the actual appreciation notched up to the previous year; companies levy a variation to their flat annual

### Difficult

But perhaps the big of contention aspect personal investment is that in most cases is no tangible record performance. Thus a client can find it difficult to assess the value on which it to put their money. of investment company associated with unit investment trusts and provide some material comparative purposes. If trust portfolio is to aggregate average as can only provide a rough to what a manager of the individual.

Jeffrey

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## Investment trusts

WHEN I WROTE about investment trusts in last year's fund management survey, the outlook could not have been more bleak. Although several of the specialist brokers in the field held the view that the sector was "desperately cheap," they were not keen on the outlook for the U.K. market as a whole. But they suspected that if there were to be a stockmarket recovery the most attractive prospects would be the funds which had miscalculated their dollar loans and had overseas interests.

This indeed turned out to be the case and when the market turned institutional interest was focused on trusts with these qualities. It was also ironic that the market recovery occurred at a time when many trusts (having had enough of currency fluctuations) were just in the process of paying off their loans. Since then the tendency has been in the other direction due to fears about the high level of the dollar premium.

But the reduction of discounts to an average of about 25 per cent and the recovery of world stockmarkets have not solved all the problems of investment trusts—which, as I suggested last year, tend to be more fundamental. The first is that ever since the flood of investment trust rights issues in 1972 there has still not been a significant instance of new money being raised in the investment trust field, despite the 1975 market recovery. Apparently the memories of the institutions are longer than might have been expected and the last thing they want is to see their holding watered down—probably just as the market nears its peak.

So the investment trust pool of money has a tendency to stagnate and the funds which are particularly exposed are those which are too small to attract any institutional investment at all. Their best hope (or the best hope for the small investor) is to attract an outright takeover bid as was the case recently with the Floreat Investment Trust.

Another major difficulty about investment trusts to my mind is the problem of aligning the interests of the institutional investor in investment trusts and those of the private investor. Investment trusts were launched originally with much the same aim as unit trusts—to allow the private investor to participate in a fund managed by investment experts.

Varying More recently the new investment trusts (such as those formed to take advantage of European stock markets) have had the institutional investor in mind. The latter has a natural tendency to be more volatile and the varying levels of discount on assets makes investment trusts a natural sector for many institutions to play the market (ably assisted by the specialist brokers who are not slow to point out the anomalies).

The institutional favour to the investment trust sector can be exaggerated—the Association of Investment Trusts has produced figures to show that there are still very significant numbers of private investors. New private investors have also put in their appearance this year. But my impression is that professional advisers who used to recommend investment trusts to their clients have progressively switched their allegiance

to more publicly-conscious vehicles such as unit trusts and managed bonds.

This has led to considerable heart-searching within the larger groups of investment trusts, which realise the dangers of indefinite stagnation. Various courses have been adopted to make their products more enticing and to make use of existing muscle power.

There have also been various attempts at utilisation of trusts over the past year, but this tends to be unpopular with investment trust directors as well as being difficult to put into effect. One trust (General Funds) also tried to spread its wings into "long-term" commodity investment but this was blackballed. Finally all investment trusts are interested in grabbing a slice of pension fund business.

But there are still groups which regard their essential business as the management of investment trusts and are chary about diversifying into areas which they know little about. Many still regard any promotion of their products (even to the extent of providing full and digestible information) as rather dubious conduct out of keeping with the investment trust context. This attitude is changing, however, and the Association of Investment Trusts has done some good work over the past 18 months in publicising the activities of trusts which had previously existed as "names North of the Border" to the southern layman.

When faced about their problems, the investment trust managers are often critical of the restrictions placed on investment trusts by the need to

retain investment trust status. These cover a number of areas and tend to be moving targets for the managers. There are, for example, restrictions on liquidity and the maximum proportion of the fund which may be held in any one investment. In this context Hume Holdings said that in order to keep within the 15 per cent maximum investment rule it had been forced to reduce its banking and hire purchase interests from subsidiary to associated status.

This is a reasonable defence against accusations about lack of enterprising spirit and many managers do say that they have to keep an eye on their unquoted holdings to see that they do not get out of line. But it is still the case that the trusts which are enterprising in new fields (such as North Sea oil) keep their holdings to relatively small amounts as a matter of caution rather than because of the restrictions. Essentially investment trusts are still a great deal more flexible than unit trusts because of their ability to gear.

This has proved a difficult asset over the past 18 months or so, for investment trusts got in rather dubious conduct out of keeping with the investment trust context. This attitude is changing, however, and the Association of Investment Trusts has done some good work over the past 18 months in publicising the activities of trusts which had previously existed as "names North of the Border" to the southern layman.

But, like it or not, being in the right currency at the right time is now an essential part of investment management and the art is to get the timing right.

Christopher Hill

## Managed funds and property

IT WAS NOT so very long ago that observers of the investment/savings industry were prepared to administer the last rites to the single premium life assurance contract. Even the people selling such "bonds" had misgivings publicly as to whether or not they would ever regain anything like their former popularity.

Property bonds came into their heyday at the turn of the decade, basically on the ticket that while they did not progress very quickly such was the nature of the underlying asset that they did not retreat either and that it was a better, more stable bet than volatile equities. Managed funds—a mixture of property, equities and fixed interest—came along a little later and achieved the height of popularity during 1972 and 1973. The reason investors believed that mixed funds could provide the correct balance and would therefore avoid the pitfalls that might threaten the individual investment media.

In the event everyone was shocked. The shake-out in the property market was sufficiently painful to knock any ideas about stability for a loop. And, as exchange securities to be transferred into the managed fund, apparently, the but they still lost people a fair amount of money because, on average, the timing of the investment was all wrong.

Fortunately for the promoters of single premium contracts at Save and Prosper, where the public has either a short memory or a very forgiving outstripping the Property Bond

nature, since there is ample evidence to suggest that a single premium bond is making quite a comeback. Abbey, for example, is currently taking in net money of the order of £2.5m. per month for its property bond alone.

This probably reflects two things: first, Abbey's unique position in the property bond field as the leader and, secondly, that this is the contract receiving most attention publicity-wise. The sales force, too, has been pushing the policy. In its darkest hour, which apparently was quite exceptional, Abbey was having to cope with £8m. of outflow in a month.

Hambro Life, which had a maximum outflow approaching £1m. a month at the worst, has been taking in between £1-£1m. a month for property bonds. The Managed Fund, on the other hand, unlike Abbey, is outselling the property bond, and is currently valued at £137m. against the Property Fund's £80m.

Again, this probably reflects the fact that this is the contract that is being pushed and another explanation in the trend is possibly a new share exchange scheme, which allows stock as for exchange securities to be transferred into the managed fund. Apparently, the but they still lost people a fair amount of money because, on average, the timing of the investment was all wrong.

The picture is not dissimilar at Save and Prosper, where the public has either a short memory or a very forgiving outstripping the Property Bond

for popularity. Apparently, though, this is tempered with a fair amount of caution on the part of the customer. At the time of writing, the net, money of the order of £2.5m. per month for its property bond alone.

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## FUND MANAGEMENT VII

## Help for pension trustees

AGEMENT of the funds of occupational pension schemes is now big business. In 1975, these pensions have to be reaching £1.5bn. annually. It is not surprising that a number of financial institutions are offering investment management services for pension funds.

First, the liabilities are very long-dated and unless the scheme is closed to new members, there will be a positive cash flow in the fund requiring investment. Secondly, the liabilities being linked to salary inflation require the assets to provide some hedge against such escalation. This is why equity type investments—ordinary shares and property—are so prominent in pension fund portfolios, with fixed interest a smaller proportion.

Finally, the fund is almost invariably free from all forms of taxation.

An understanding of these basic principles is necessary if the trustees are to perform their duties properly. They do not delegate the final responsibility for investment performance when they appoint an investment manager. The question arises therefore as to the role of the trustees in the investment management of the fund. There are no hard and

fast rules for the extent of involvement—each individual board must decide for itself. Investment management can be divided into two broad areas—the strategic, which involves the policy-making decisions as to which investment media are currently favourable, and the tactical, where the selection of the individual investments is made. The trustee can give the investment manager a complete freedom of action, but it is not wise to do so without first consulting the Board and the manager is after all the expert. But in considering investment policy a balanced view is highly desirable and intelligent laymen can play a significant part in formulating such policy.

**Merit**

A course of action proposed by the manager is more likely to be successful if it has been explained and understood by non-experts. There is considerable merit in having the broad policy thrashed out by the investment manager in conjunction with selected trustees and possibly a representative of the pension consultants.

The position is different when it comes to selecting individual assets. A close knowledge of the market is essential and swift action is often necessary, especially where stock

market investments are concerned. Here a free hand for the manager is much more desirable if the best performance is to be obtained. Yet all too often the trustees get themselves involved in the petty details of buying and selling, but give a carte blanche to the investment manager for the big decisions. The trustees will insist on being consulted before equities are bought or sold, but never concern themselves with the overall decision as to whether the funds should be all in equities at that particular time.

In actual dealing the trustee would be well advised to confine his interest to receiving periodical reports from the investment manager on the performance of the fund. The main purpose of such reports is to ensure that the investment policy is providing a good return consistent with meeting the liabilities of the fund. Here it would be useful to have the services of the pension consultant for guidance at least.

The merchant banks have long been established in the field of pension fund investment management. They are big enough to be able to offer the whole investment spectrum including direct property holdings. There recently have been moves to invest more funds overseas, to take advantage of the more

favourable investment climate in certain areas. The merchant banks have the necessary expertise and overseas contacts to invest in these areas. A new development has been the growing involvement of the U.K. subsidiaries of overseas banks, mainly U.S., offering their world-wide branch network as an additional investment feature.

The London clearing banks are now becoming much more active in this field as part of their expansion and diversification programmes. The demarcation lines between the clearing and the merchant banks are becoming very blurred.

**Range**

Leading stockbroking firms have also been in the pension fund management field for many years, dealing mainly with the medium and small funds which did not have sufficient assets to enable them to invest directly in the property field. Their investment range was therefore limited to stock exchange securities, the specialist field of stockbrokers.

The introduction of exempt property trusts now enables the smaller funds to participate in property investment, without getting involved in administration. This has proved a boon to advisers and managers such as stockbrokers, enabling them to offer a complete range of investments.

The other main financial institutions in pension fund management are the life assurance companies. Until the past decade, having an insured pension scheme meant all the contributions going into one big fund out of which bonuses were paid to the with-profit schemes. This system gave a good return on the money, but it meant that the life company had complete control of investment policy.

The launch of managed funds—whether the specialist ones such as equity, property or fixed interest, or the three-way mix—now offers trustees a means of measuring the progress of the pension scheme. But it also gives them the opportunity, through the specialist funds, of involving themselves in major policy decisions while leaving the tactics completely with the life company.

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Eric Short

## Esoteric alternatives

WITH galloping on and falling equity prices along with unrealistic fixed interest rates, investors were forced to look for other forms of investment as a means to protect their values. The rush to these alternative forms of investment was not confined to the ring rises in such items as art, stamps, wines, and spirits and as a reflection of uncertainty in currencies and gold coins.

A bonanza was soon to end, buying forced values up of all proportion, while were putting up unreserve prices. The suit was that major buyers became disenchanted and slumped. Almost as if they had risen. Not did this destroy sentiment and forms of investment times it cannot the same. Of panic trading, but this the rush was to sell.

While there has been some recovery in works of art there has been little to cheer about in the wines and spirits market. Once again unrealistic prices were to blame for the slump in wine speculation, while wine sales in general were beginning to suffer from the effects of inflation. Fears that a worldwide slump in demand might leave shippers with huge stocks prompted a vast unloading operation.

Wines that were selling at some \$4 to \$5 per bottle in mid-1975 are now available at between \$2 to \$3. A good indica-

tion of the tone of the market was the two-day sale of high quality wines carried out by Christie's last July on the instruction of Bass Charrington Vintners. The sale yielded some £1m, which was slightly better than expected at the time but that fact that a major shipper was prepared to empty its cellars severely knocked confidence.

The move into the gold coin field as a hedge against inflation took place in the latter part of 1974, presumably because other areas were beginning to falter. By far the most popular coin was the Kruggerand (consisting of 1 oz. of fine gold) which at the height of the demand represented some 30 per cent. of South Africa's gold production. By December the price of gold had reached a peak level of \$197.50, with the Kruggerand at \$100 per coin and a number of funds were seeking a piece of the action.

The market here, however, was shattered at the start of this year following a gold auction by the U.S. Treasury. The auction was expected to be a great success, given the level of demand for gold, but out of a 2m. oz. put up for sale only 750,000 oz. were sold. Since then there has been the moves by the British Government to curb imports of gold coins, which, in effect would have boosted values, but overall the price of Kruggerands have since fallen by 30 per cent. to \$71 a coin.

Just about the only area to be termed esoteric which escaped the inevitable slump has been the stamp market. Growth in the price of good quality stamps

collection of English Sporting Paintings. The first sale in the autumn of 1973 brought in £1.25m. but the second in June last year managed only £588,900, with nine pictures left unsold.

Considering the extent of the shakeout it is small wonder that investors and dealers alike breathed a sigh of relief following an apparent recovery at the turn of this year. Prices are evidently firmer and the auctioneers are now confident that works of art will once again prove one of the best hedges against inflation.

This should cheer the funds which specialise in this type of portfolio, including the £12m. Middle East Fine Art Investment Company which started life recently as a means to channel petrodollars into the London and international art markets.

## Unloading

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Just about the only area to be termed esoteric which escaped the inevitable slump has been the stamp market. Growth in the price of good quality stamps

continues to outstrip the rate of inflation.

At the start of 1973 Stanley Gibbons launched an investment service purely to give those investors interested in high quality stamps an opportunity to acquire a portfolio for a minimum investment of £500. The portfolios, which were designed as a medium to long-term investment, were put together individually. The company recommended stamps issued before 1900 but occasionally would put in specially selected items up to 1930.

The price performance of the 13 stamps in the investment brochure has comfortably topped the average. In 1973 the stamps had a total value of £82,940 but a year later were worth £106,950—an increase of 28 per cent. The latest valuation is some £130,855, a further gain of 22 per cent. Not surprisingly this growth trend has prompted many of the original investors to take their profits. About half of the original 1,000 or so investors have since sold at a profit.

The lessons to be learnt from the performance of these stamp portfolios and, come to that, the many burnt fingers in the other areas is that it pays to take specialist advice or invest in specially designed portfolios. However, it is debatable whether these types of investment vehicles have sufficient following to make them viable units over the longer term since the major collectors tend to go it alone, while the smaller investor is quick to take a profit—witness the stamp portfolios.

David Wright

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## Managed

CONTINUED FROM PREVIOUS PAGE

of moving heavily into the property development area, probably because of legislative uncertainties and the steep increase in building costs. The other play that was flourishing was the purchase of properties on the other side of the Channel. This too, has come grinding to a halt (a) because there have been similar shake-outs in those markets to the U.K. with Brussels and Amsterdam still apparently suffering; and (b) the foreign exchange regulations render such exercises extremely awkward.

But there have been some encouraging recoveries in performance this year. Abbey, for example, while it suffered a sharp drop in unit price during 1974, has had a correspondingly steep rise in the current year of 27 per cent. The managers put this down to a number of factors: including the general recovery of property, the quality of Abbey's portfolio in particular and the release of reversions after the rent freeze was lifted at the end of 1974. Naturally, this performance has enhanced the showing of the Managed Fund which relies for its property content on its own property units.

But most property funds are becoming bloated again with liquidity, the average being 20 per cent. or over of the funds. Most of the developments that were undertaken during the bright of popularity of this type of venture have now matured and the cash is merely piling up. For managed funds, liquidity has been rather less of a problem. For a start, with a fixed interest and equity content the

call for a reserve of liquidity is probably not quite so pressing as with a pure property fund where marketability of the underlying assets is often suspect. The correlation between the various portfolios varies a great deal. Hambro Managed Fund has roughly 80 per cent. in equities, 25 per cent. in property and 15 per cent. in fixed interest—this compares with 47 per cent., 29 per cent. and 24 per cent. respectively in February this year.

At Abbey, equities and property account for 45 per cent. and 55 per cent. respectively, while the position was exactly reversed two months ago. At Save and Prosper, the property content at the end of September of 47 per cent. compared with 41 per cent. in equities; the relative position has widened out of property over the past months.

Considering that the investment conditions have been so bad over the past two years the bond groups have not disgraced themselves. As regards performance the holder of a property or managed bond almost certainly fared better than his unit-holder counterpart during the market fall-out, and is probably still ahead. The bond promoters themselves have not done so badly either since many of the sales of property or managed bonds were really conversions into other investment forms—notably convertible bonds—so that the cash was never really lost at all.

Keith Lewis



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## FUND MANAGEMENT VIII

# Life offices spread the net

LIFE ASSURANCE is over 200 years old and naturally there have been considerable changes in product design. At the start it was purely life cover; now the emphasis is very much on savings, although there are signs of investors looking again for protection.

During these two centuries of existence, considerable life funds have been built up and the scope of the investment media used has expanded out of all recognition. Originally investments were entirely fixed interest of varying security from gilt-edged to commercial and industrial mortgages.

It was during the 1920s that the idea of investing in equities was first mooted, and it was shown that by spreading part of the fund among carefully chosen stocks, the yield could be appreciably increased without greatly impairing the underlying security. These ideas now seem quite commonplace but at the time were considered revolutionary.

Investment in property was again considered somewhat risky when life companies first entered this media, while now it has become an integral part of a life company's portfolio. However, some of the smaller companies were rather late into this field and the proportion of property in the portfolio is still comparatively small.

The blend of fixed-interest, equities and property will obviously vary between life companies, but there is one overriding investment principle. The aim of investment should be to maximise the return on the portfolio, subject to the

security of the fund being able to meet the guaranteed liabilities at all times.

For traditional life assurance, guarantees play a prominent part in the make-up of the contracts marketed. This in turn has serious implications for investment policy, leading to the need for matching assets with liabilities. Much has been written on the subject in actuarial journals, but basically it means having sufficient assets being redeemed at the same time as the liabilities mature.

Matching is one of the factors that investment managers of life funds have to watch carefully in formulating investment policy. The old-established life companies have over the years built up considerable free reserves, which enables the investment manager to depart from a strictly matched position and invest for maximum return.

This lack of matching was one of the factors leading to the financial troubles last year of some newly formed life companies. They did not have the reserves to justify departing from a matched position, yet got involved in an auction in

quoting the best terms for guaranteed income bonds that could only be obtained by mis-matching assets against liabilities.

The high guaranteed content of traditional life business means that portfolios must contain a fair proportion of fixed-interest securities—from gilts, industrial debentures and loans and mortgages. The range of redemption terms available can provide the flexibility to fit into the life company's particular pattern of maturities. Since the guarantees are in monetary terms (unlike pensions which are linked to salaries and hence escalate with inflation), fixed-interest securities also being in monetary terms will meet these guarantees.

### Emphasis

Traditional life assurance has, since the war, put more emphasis on its with-profit business, with a need to offer an investment that provides some hedge against inflation. There has been a strong element of competition in the marketing of such contracts, and company actuaries have been under some pressure to

keep bonus rates competitive. The bonus loadings in the premiums do enable the investment manager to invest in equities and property thereby boosting yield and enabling the actuary to fix his bonus rates.

From an individual investor's standpoint, taking out a with-profit contract means getting a stake in a portfolio that is essentially a three-way mix, but with certain guarantees on the performance. For most investors, the guaranteed sum assured will return the premium at least (after allowing for tax relief) and the bonuses on the policy provide the investment profit. Current yields on such policies at present in the range 8-9 per cent net after allowing for this tax relief are good but not earth-shattering.

The introduction of unit-linked life assurance added a new dimension to life fund management, because it removed the investment risk from the life company and the policyholder then undertook it. Whether many investors who took out unit-linked contracts appreciated this point is doubtful, but last year's stock and property market collapse brought home the point very

forcibly. Traditional policies whole spectrum of maturing last year still had from which to make their reversionary bonuses and they may well need linked counterparts had their policy values drastically reduced.

But since the investor accepts this risk with a unit-linked contract, the investment manager has far less restraints imposed upon him. He can concentrate very much more on yield and return, with security no longer of paramount importance. In addition, he can operate specialised funds dealing with certain sectors of the equity market besides dealing with the whole market itself.

The development of unit-linked contracts started in the equity field, but the linking has expanded into property based, fixed-interest based and a managed fund based on a three-way mix of equities, property and fixed-interest. This range now available gives investors a wide choice of funds on which to base their contracts, a choice lacking in the traditional field. One policy from Save and Prosper offers policyholders a range of 26 underlying funds, some highly specialised.

Because unit-linked contracts are based on a particular investment media, they can offer investors far higher returns at the right time than does a traditional contract, simply because that latter being based on a mix of different investments will give an average return. But investors should always take into consideration the volatility of the values of unit-linked contracts. It can plumb the depths as was seen last year.

The choice of life assurance contracts—traditional or unit-linked—depends very much on the requirements and temperament of the individual. If he gets a fit of shivers every time the market sneezes, then it only for peace of mind he should stick to a traditional policy. If he is more adventurous and willing to accept the investment risk, then he has this

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## Measurement of performance

CONSIDERING the number of funds now available it is understandable that many investors have difficulty in choosing the right sort of vehicle for their particular need. Of course there are numerous professional advisers that an investor can turn to but more often than not a quick glance at the relevant performance table will give a reasonable guide as to the investment merits of any particular fund.

These performance tables are widely used by both the investors and the management of the funds themselves. After all if a fund ranks high in the list, in terms of performance, much weight is added to the advertising campaign at that time. Since success tends to generate demand it is not surprising that the funds are quick to publicise any worthwhile achievement. As such the investor must determine whether the comparison made is right and that the performance is not a flash in the pan.

A few years back a fund's performance was often compared with that of the Financial Times Industrial Ordinary share index. The management would cheerfully announce that the index had risen by a given amount over a given period but the fund had topped this growth by a certain per cent over a similar period.

This in fact is a thoroughly misleading guide to performance values. The FT 30-share index is calculated by taking the geometric average of the

relative price changes of the 30 leading industrial equities that make up the index; as such it was designed as a way of gauging stock market movements over a short period, and not that of a fund over a longer term.

In contrast taking an arithmetic average—which is the basis of the FT Actuaries Index—of the relative price changes reproduces the performance of a fund where the holdings are left undisturbed. It is a fact that a geometric average is never greater than its arithmetic counterpart. As a way of illustrating this point, take an index that only has two constituents A and B. A doubles in value while B halves. Under a geometric mean the index remains unchanged at 100 but under an arithmetic mean the index rises to 125. A fund therefore could start life with equal amounts invested in each of the FT 30-share index constituents and continually outperform that index.

Since the unit trust industry has been strongly criticised for adopting this performance guide the general practice now is to use the FT Actuaries All Share index, which as already pointed out is calculated on a similar basis to the asset value of a fund, as well as offering a far broader spread of constituents. Equally acceptable is the comparison of a specialist fund against the relevant sub-sector of the actuaries.

Taking a short-term performance trend and using this as ammunition for an advertising campaign is equally misleading. This is particularly the case for the specialist funds, like those aiming at commodities. World-wide fluctuations in commodity prices makes these funds extremely volatile and as such the isolation of one good period can give a completely false picture.

Avoided

These sort of pitfalls could, however, be avoided if investors judge the merits of the fund over a period of at least five years. Most of the performance tables for unit trusts that are printed these days appear in magazines such as Money Management and Planned Savings, and these do span a period of at least five years or, if less, to the date when the fund was launched.

These unit trust performance tables have been compiled for a number of years now, but it was only last week that a property bond index came on to the scene. This property index, which is compiled by Money Management, has been designed to allow investors to compare the performance of their band with the average while at the same time helping to pinpoint the changing trends in property values.

The index is an average of the change in the unit price of the ten largest property bonds, which together account for 88 per cent of the total funds invested in property bonds. There will be both a weighted index and an unweighted one; the former giving a bias in favour of the larger constituents such as Abbey Property, which accounts for 46 per cent of the combined index of the constituents.

While Money Management must be congratulated for launching its property bond index there will be many who will question the validity of such an index. The index after all is governed by the price of the constituent units. These prices are calculated in-house, with property valuations, often being made on a willing buyer and a willing seller basis and

not what the property would be worth in the event of a forced sale.

As such, portfolio values tend to avoid short-term fluctuations such as seen last year. The valuers may have good grounds for smoothing out temporary fluctuations but in the circumstances the bond prices can hardly be expected to offer a true indication of the property market.

### Carefully

Much the same can be said of the valuation put on managed bonds since these are invested in property. Once again, performance figures should be taken with a pinch of salt—or at least used very carefully.

The brokers tend to be the specialists in the performance records of the investment trusts. Firms such as Myers and Wood Mackenzie publish annual performance tables which are brought up-to-date periodically. These not only give a breakdown of the portfolios but also growth trends and some guide to the discount to asset values that the shares are generally traded on.

Clearly performance tables are here to stay but in the few examples given it is noticeable that pitfalls prevail. Their accuracy will always be questioned, but if used as medium-term guidelines there should be few problems.

David Wright

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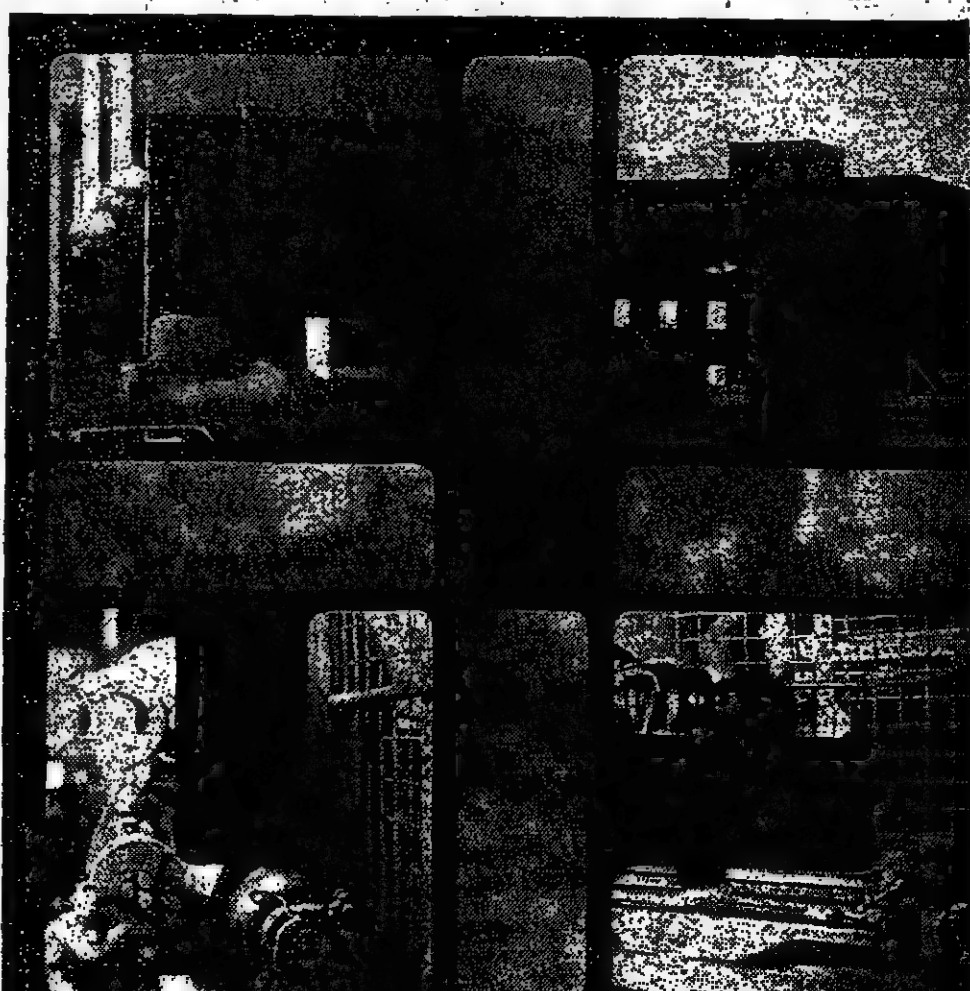
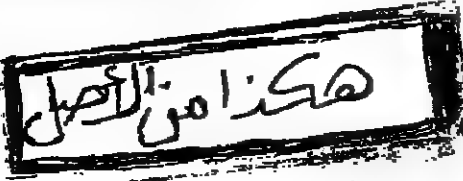
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With the latest White Paper on U.K. civil aviation due soon, Michael Donne argues that it is time the industry had more stability

# Too many direction changes in the air

SOME TIME this autumn, Mr. Peter Shore, Secretary for Transport, is expected to publish a White Paper setting out the details of the future pattern of civil aviation in this country. Stemming from the discussions his officials have held with the airlines since his aviation policy review was unveiled in the summer.

Broadly, that review outlined the Government's intention to change the existing system by ending "dual designation" (the system that enables more than one British flag airline to be licensed to fly in competition with British Airways on the same route, such as London-New York), and to introduce a "spheres-of-influence" policy, whereby BA and British Caledonian Airways would each be allocated geographical areas where they would have sole U.K. scheduled service operating rights. There was an ancillary decision of considerable significance — the blocking of Mr. Freddie Laker's low-fare, no-reservations Skytrain plan between London and New York, of which more is certain to be heard — but for the most part the rest of the industry was left alone to go about its business as before.

## Less progress

The plan is believed to have made less progress in the airline/Government discussions than Mr. Shore had hoped. While it is going too far to suggest that the policy might prove unworkable, it is clear that it may have to be amended to meet some of the difficulties it has encountered, especially where the question of further route transfers between BA and BCAL are concerned.

There are many in the air line industry who feel that Mr. Shore's review is unnecessary, and that the industry, as represented by the Conservative Government after the Edwards Report of 1968, is capable of conducting its own affairs, through the existing licence "prizes" given to the Civil Aviation Authority by the Government, without further political interference. The Edwards Report, it is claimed, was intended to take civil aviation out of politics for a long time ahead, while Mr. Shore is now trying to drag it back in.

Others do not share this view, especially inside BA, where it is argued that the "guidelines" require the CAA to give preference to BCAL in new route allocations. There has always been strong resentment, especially among the trades unions, rights, over the creation of BCAL as the "second force" U.K. flag airline after the Edwards Report. This hostility was increased both when some of the original BOAC routes (such as to West Africa) were given to BCAL to help it get on its feet, and when BCAL was also subsequently allowed to introduce short-haul services between Gatwick and near Continental points such as Brussels and Paris.

Thus, there have always been those in the industry who have felt that some changes ought to be made in civil aviation policy, especially by a Labour Government, but even since Mr. Shore has chosen the right way to do it, particularly if any further route transfers to BCAL are involved, inside BCAL, however, there are equally strong feelings that the plan involves

an "exchange" of routes rather than "transfers," and that because BCAL is being asked to give up a great deal, such as its Atlantic licences, it is entitled to get something in return. BA spelled out its views in a

what it regards as wasteful dual designation. BA has stressed that it is up to Mr. Shore to decide what routes, if any, have to be exchanged to help create his new "spheres-of-influence" policy. Moreover, BA has made

it clear that any airline's strategy must be planned for as much as ten to 15 years ahead. Government-caused uncertainty makes this impossible.



Mr. Adam Thomson, chairman of British Caledonian: he has pointed out that any airline's strategy must be planned for as much as ten to 15 years ahead. Government-caused uncertainty makes this impossible.

message from Mr. Henry Marking, deputy chairman and managing director, to the staff. Pointing out that BA was totally opposed to any further route transfers to BCAL, Mr. Marking said that, if forced to make such transfers by the Government, the management of BA would be seen publicly to have been done by Mr. Shore alone, the management itself being determined not to appear to the airline's staff as condoning any further "carve up" of the airline. There seems to have been some justification for this attitude, for there have already been ominous rumblings from the trades unions in BA and at Heathrow generally.

It is understood that this attitude has been carried into the talks between the airlines and the Government and the Civil Aviation Authority. While broadly welcoming the ending of

package of routes between different gateways, and that even to scrap dual designations does not necessarily mean that BCAL cannot fly to Atlanta and Houston from Gatwick while BA flies to New York and other cities from Heathrow.

So far as spheres of influence are concerned, BCAL appears to be broadly in favour, provided that the routes involved are sufficient to enable it to earn profits. It argues, for example, that if it lost its licences to fly to New York, Los Angeles, Boston, Chicago, Toronto, Bahrain and Singapore, it should be permitted to fly to Atlanta

America to supplement its existing networks in West Africa and eastern South America. BCAL has claimed that the loss of the licences mentioned above would cost it over £300m. In lost revenue over the next nine years, and that any compensatory routes ought to have revenues capable of matching that figure in the long-term, even if they do not match it already. BA has described this figure as nonsense, but BCAL has replied that, no matter what the figure, it cannot be considered as anything less than "an enormous sum of money" while the whole policy review represents "a

massive change in direction for the industry." Mr. Shore thus appears to face a difficult situation. If he overrides BA's (and the unions') objections, he will be forced to decide for himself what routes ought to be exchanged, thus incurring BA and the unions' wrath, and perhaps even provoking industrial action. If he accepts BA's objections, his spheres-of-influence policy would be in danger of collapse, for he would then have nothing to give BCAL as compensation for taking away its existing transatlantic and certain other long-haul licences.

Similarly, if he persists in scrapping dual designation entirely, he will be criticised for preventing BCAL (and anybody else) for ever from participating in the overall development of a substantial slice of overseas air transport markets, unless he so amends his guidance to the CAA to ensure that some loophole is left to take account of special circumstances in future licence applications. He is perpetuating the situation whereby any airline is free to apply for a licence to fly on any route in competition with BA, with some chance of getting it if the CAA thinks that it has a good case (as it did with Laker's Skytrain and even with BCAL's original North Atlantic applications).

Where, then, does Mr. Shore go from here? It is possible that he has already moved to solve his problems, through the appointment of a non-airline, and therefore non-committed, man, Sir Frank MacFarlane, as the next chairman of BA. Many in the industry, and especially inside BA, thought that Mr. Marking would get the job. It seems likely, however, that

Mr. Shore felt that the appointment of an outsider with no previous political or airline commitments could bring about a softening of the present unions' objections, he will be forced to decide for himself what routes ought to be exchanged, thus incurring BA and the unions' wrath, and perhaps even provoking industrial action. If he accepts BA's objections, his spheres-of-influence policy would be in danger of collapse, for he would then have nothing to give BCAL as compensation for taking away its existing transatlantic and certain other long-haul licences.

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## Uncertainty

But whatever Mr. Shore does, it must be done to last. Many voices have been raised in recent years against the way in which U.K. civil aviation has been subjected to political interference, and much of the industry's present weakness, especially in the private sector, stems from its inability to plan ahead adequately because of uncertainty over tenure of licences. Mr. Adam Thomson, chairman of BCAL, has pointed out that any airline's policy, its finances and long-term strategy, must be planned for as much as ten to 15 years ahead. Aircraft costing up to £10m each—even more for a Concorde—cannot be ordered if an airline does not know if it is going to be in business next year, or flying on the same routes.

Thus, Mr. Shore is being asked by the industry to ensure that whatever he puts into his White Paper is succinct, clear and designed to last, no matter what political parties are in power over the next 10 to 20 years.

## Letters to the Editor

### Inflation accounting

From Mr. A. M. Robb.

Sir.—The time has come for accountants in industry to stand up and be counted in favour of the rapid implementation of the Sandilands Report. There are of course shortcomings in current value accounting but compared with the professional and imprudent purchasing power solution they are minor. There are three points in particular which should be accepted without further argument—argument which can only delay and dilute the implementation of proposals which clearly indicate the effect of inflation on the continued validity of a business enterprise.

There is indeed no such phenomenon as "general inflation" apart and separate from rising prices of specific commodities. Inflation is the product of price rises of individual goods and services caused by a number of different reasons (some of which in turn may be the result of an increase in the money supply)—wage push, supply and demand imbalance, exchange rate changes—to name but three. The impact on individuals and on business clearly depends on their particular purchasing pattern of goods and services over time and the Sandilands proposals set out to demonstrate this impact clearly and unequivocally. At the same time, by separating out "holding gain" from "operating gains" in the profit and loss account they give good timing of purchases and sales (particularly important in capital intensive industries, such as shipbuilding and property). On the other hand the "general inflation" approach is meaningless, particularly to an industry such as shipping where substantial capital purchases abroad may have no or little inflation generated—price increase included, while domestic inflation is running at over 25 per cent.

### Misleading

The proposal to show "monetary gains and loss" arising through the existence of debt or cash holdings, such as a significant feature of CPP, must be rejected on the practical ground that it is misleading and dangerous. The general public (including employees) will certainly be misled in believing such gains to be available for distribution in one form or another and it is only a short step from this to management misleading itself too. Current valuing accounting clearly shows just how much earnings are required to maintain the operations of a business at their present level before any distribution of any form is made, and therefore what is needed to really expand the business, particularly if it were to be coupled with a form of value added statement as recently proposed in the "Corporate Report".

There is no need to delay the adoption of current value accounting while waiting for review of the implication for taxation. It does not follow that, because in the past profits have not been computed in accordance with the ordinary rules of accounting, if you change the rules of accounting, tax must follow suit. We have lived up to now with adjustments to depreciation and stock appreciation for tax purposes and the introduction of current value accounting would not introduce any additional complications to these. In the final analysis the interests of shareholders, public, employees and management is a common one: to maintain and possibly expand a business so that it can continue to serve the varying needs in the future. The Sandilands proposals provide a

### way of measuring and guiding progress to this end. They must be supported and the real practical problems of implementation tackled soon.

A. M. Robb.

Beech, Hazel Grove, Hindhead, Surrey.

### Sandilands and CPP

From Mr. J. H. Bowman.

Sir.—The article by Professor A. J. Merrett and Allen Sykes (October 15) on "Accounting for inflation: the way forward from Sandilands" is an indictment of the accounting profession. The indictment is not that accountants have been completely muddle-headed and confused in putting forward the current purchasing power ("CPP") method of accounting, but that they have failed to explain what they have been trying to achieve. The failure goes back to the basic historical cost set of accounts. The fundamental point is that a balance-sheet prepared on historical cost principles is not a statement of values. In normal circumstances it is a simple statement of two separate types of items, monetary assets and liabilities (debtors, cash, creditors) and deferred costs (fixed assets and stocks). Costs are deferred either to be written off against revenue over the expected useful life of the assets concerned (as in the use of fixed assets) or pending a sale against which they can be matched (as in the case of stocks). The CPP method does not attempt to substitute values, however arrived at, for historical costs, it merely attempts to state historical costs, which may have been incurred at widely different times, in terms of completely different purchasing power, in terms of the pounds concerned. This all sounds very confusing.

So let me illustrate it by an example based on the figures used in the article. Their consultancy company had bought an office block for £1m. a year ago and there had been 25 per cent inflation in the succeeding year. Under the CPP method the office block would be restated at £1.25m. but this restatement would have nothing to do with an increase in its value. One million pounds would buy no more and no less general goods and services than £1m. in 1974. If the office block was being written off over ten years, £100,000 would be an adequate charge against 1975 revenue. One hundred and twenty-five thousand pounds represents the correct measure of the cost to be written off and is the same in 1975 pounds as £100,000 in 1974 pounds.

This illustrates the fact that before you can understand CPP accounting, you must be able to recognise that what is apparently a constant unit of measurement, the monetary unit or pound, is in fact not at all constant. We all recognise this in our private affairs—the pound we own in 1975 will not buy nearly as much as the pound we had in 1974—but we find the greatest difficulty in recognising this when it comes to a set of accounts. Merrett and Sykes are very scathing about the so-called "cost of sales" method which is shown under CPP accounting and give a completely false analysis of how it arises. Taking the example of a company producing the whole of the film had been provided by equity shareholders, the balance-sheet in terms of 1975 pounds would show an office block at cost of £1.25m, representing shareholders' equity of the same amount. There is no gain involved and there is no question of a revaluation—

£1.25m. 1975 pounds are the same as £1m. 1974 pounds. But if the equity shareholders had only provided £200,000 in 1974, the balance being provided by way of a loan, the situation would be quite different. In terms of 1975 pounds, £225,000 (£200,000 + 25 per cent) of the capital invested in the office block would have been provided by the equity shareholders and £225,000 as loan capital. But only £200,000 would be repayable in 1975 pounds to the loan stockholders. The relative interests in the office block have changed and the equity shareholders have gained £25,000 in terms of 1975 pounds at the expense of the loan stockholders.

Of course, this monetary gain does not of itself improve the ability of the company to earn trading profits or pay dividends. But if the trading profits themselves are keeping up with inflation, a greater proportion of them will be attributable to the equity shareholders. The monetary gain shown in the accounts is a reflection of the fact and important information for the equity shareholders. What Sandilands does show clearly is the importance to most users of accounts of charging the current cost of the specific stocks sold or fixed assets used in production in preference to costs adjusted by a general index of purchasing power. Accounts must be adapted to meet these needs. The weakness of the Sandilands proposals is their failure to show whether "holding gains" are real or illusory and to deal in any way with gains and losses on monetary assets and liabilities. The eventual solution will, I believe, be a combination of Sandilands and CPP.

J. H. Bowman,  
2, Frederick's Place,  
Old Jersey, E.C.2

### Reporting on liquidity

From Mr. R. Mitchell.  
Sir.—It is arguable whether the Sandilands Report on inflation accounting has been widely welcomed, particularly by industry, as stated by Messrs. Merrett and Sykes (October 15). I would have thought that the report of neutral reaction ahead of statement from the accounting bodies.

It serves no purpose in comparing current purchasing power accounting with current cost accounting: they are systems to satisfy different viewpoints. There are, however, a number of points worthy of debate. The Report has highlighted that accountants do not have a monopoly over the design of accounting information. The ASSC should contain representations from users in addition to producers of information. There is nothing new in Sandilands. There has always been a conflict between the economist and the accountant on the definition of profit. If taxation and dividend are based solely on the level of profit, then the economist's definition may protect the organisation against liquidation through lack of understanding of the various aspects of the financial system. It may be impossible using the same concepts to produce a set of statements to satisfy all users. Messrs. Merrett and Sykes argue quite rightly that "existing use" is the only relevant valuation in reporting continuous operations. But, there are other aspects of financial reporting where the valuation of assets based on future profits or cash flow is relevant, as is the use of open market valuations in assessing alternative profit opportunities.

The final point is more important and is in the nature of a criticism of Sandilands if the proposed system is used as a basis for financial planning and control. From a management control viewpoint, the reporting system should reflect the particular pressures the organisation is feeling from outside influences. My own view is that reporting during times of inflation should emphasise the effect on liquidity rather than on profit. Liquidity is strained because the organisation is unable to adjust sufficiently quickly to achieve higher margins required to finance the higher costs.

A first charge on the cash expected by the organisation is the finance required for the inflationary aspect of all working capital components and the replacement of fixed assets. The charge for taxation must be covered before determining whether there is sufficient finance remaining to provide a dividend from profits. This is not highlighted by Sandilands and the tinkering with the definition of profit is a distraction. The Report shows a lack of understanding of reporting on liquidity, confirmed by the quality of its comments and the primitive presentation of cash flow statements.

R. Mitchell,  
2, Whitechapel Close, Leeds.

### Referendum spending

From Mr. J. Towler.

Sir.—References to the disparity in expenditure between the pro- and anti-Market forces in the referendum, Mr. Ernest Wisnitch (Oct. 18) states that on the pro-Market side "every practicable step was taken to include expenditure by many campaign organisations and groups" while the National Referendum Campaign's accounts excluded expenditure by trade unions and political parties opposed to membership. I suspect, however, that if the full total of pro- and anti-Market expenditure were worked out the disparity would be even greater. The expenditure by the various anti-Market groups not listed in the NRC accounts was minimal compared with that of the CBI, insurance companies who took full page advertisements in the national Press, and the European Commission itself, none of whose accounts are, to the best of my knowledge, incorporated in the Britain in Europe accounts. James Towler,  
1, Monck Wood Lane,  
Cookridge, Leeds.

### Market research managers

From Mr. C. Greenhalgh.

Sir.—Your report (October 15) that Professor Michael Young (at the recent Advertising Association seminar on "The Economic Interests of the Consumer") gently floated the idea of appointing independent directors to the Boards of major companies: their function being to represent a third force. With respect, I may I point out that such people already exist within most large companies, though they tend only to be managers? They are called "market research managers." Rather than thinking in terms of confrontation ("to check and balance the battles between management and labour") the most effective way to represent consumers' interests is to be in a representative and objective way would simply be to thrust the market researcher further forward than he tends to be.

C. Greenhalgh,  
The Market Research Society,  
51, Charles Street, W.1.

## To-day's Events

Prime Minister makes statement in House of Commons on Royal Commission on National Health Service, and expected to name its chairman.  
Crown Prince Fahd, Deputy Premier of Saudi Arabia, begins three-day official visit to Britain.  
Mr. Antonio de Silva, Brazilian Foreign Minister, begins official visit to Britain.  
Dr. Henry Kissinger, U.S. Secretary of State, in Peking to prepare for visit by President Ford later in the year.  
Mr. Roy Jenkins, Home Secretary, speaks at Standing Conference of Asian Organisations dinner, Grosvenor Victoria Hotel, S.W.1.  
Mr. Fred Peart, Minister of Agriculture, speaks at Food Quality and Safety conference, Royal Institution, Albemarle Street, W.1.  
Mr. John Methren, Director-General of Fair Trading, speaks at Oxford Street Association Lunch, Selfridge Hotel, W.1.  
Joint study group of BSC executives and steel union leaders end ten-day tour of Japan.  
London Philharmonic Orchestra on ten-day tour of Soviet Union, during which it will give eight concerts, all conducted by Bernard Haitink.  
PARLIAMENTARY BUSINESS  
House of Commons: Debate on Retain trade (September-provisional) Report on one-parent families. Remaining stages of Inheritance (Provision for Family and Dependants) Bill, and Iron and Steel Bill.  
House of Lords: Employment Protection Bill, report stage. Social Security (Contributions) (Consequential Amendments) Regulations 1975. Lord Brockway will initiate a debate on purchase of uranium from Namibia and use to which it is directed.  
OFFICIAL STATISTICS  
Basic rates of wages (end-September).  
Monthly index of average earnings (August).  
Retail trade (September-provisional).  
Sterling certificates of deposit (mid-September).  
Appropriation account of companies; net acquisition of financial assets and financial accounts of industrial and company sectors (second quarter).  
COMPANY RESULTS  
Rugby Portland Cement (half-year).  
Selincourt (half-year).  
Telecel (half-year).  
COMPANY MEETINGS  
See Week's Financial Diary on Page 8.  
EXHIBITIONS  
International Audio Festival and Fair opens, Olympia.  
Kensington Antiques Fair opens, Kensington Town Hall.  
International Motor Show continues, Earls Court.

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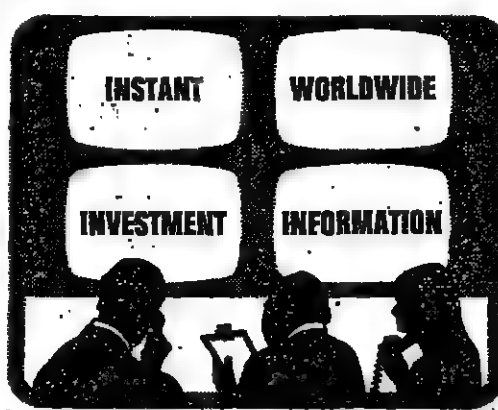
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## HAS THE CITY REALLY STRUCK IT RICH?

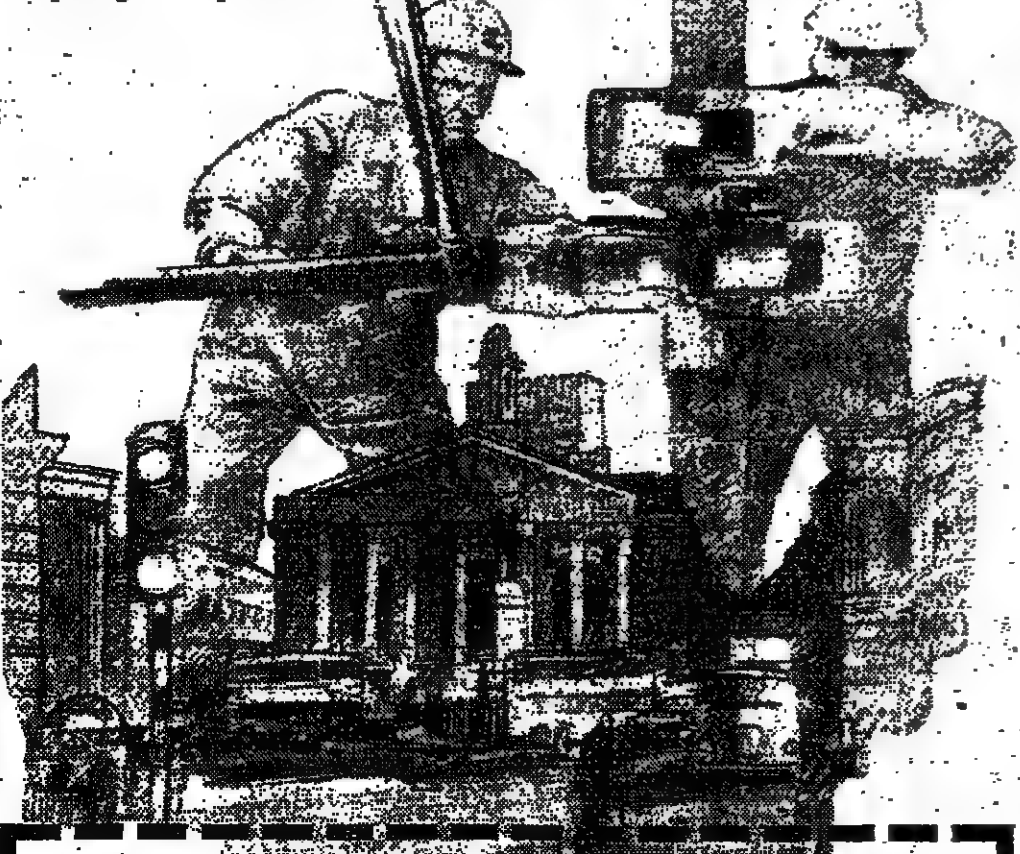
Since the discovery of the Forties Field, five years ago, billions of pounds have been pumped into financing North Sea oil development programmes. What are the hopes today of a profitable return? Financial sources in all corners of the world, including the City, have seen their investments threatened by inflation, delays in the supply of equipment, and Government intervention.

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## COMPANY NEWS

### Lockwoods Foods long term confidence

IN THE LONG term, says Mr. P. B. Lockwood, chairman of Lockwoods Foods, he is confident that the group's position in the canning industry, and its diversification into freezing and carbonated drinks, will enable it to develop "progressively and profitably."

As to the current year he adds there is insufficient evidence to convince him that it is possible to rely on abatement of inflation, and because of the uncertainty it causes, he cannot make any prediction "despite a reasonable start."

Group turnover increased from £30.57m to £34.26m in the year to May 31, 1975, and, as reported on October 11, pre-tax profit expanded from £1.5m to £1.68m. The dividend is 3.00p (2.814p) net per 25p share.

The improved results are accounted for by substantial improvements in sales of canned fruits and vegetables in the U.K. including Jersey, and in Italy.

Demand in the U.K. for most products remained strong and forward sales covering the summer production of 1975 are "exceptionally good," although the long summer drought in eastern England reduced yields on a number of crops which will prevent the group from reaping the full benefit.

Fears that rapid inflation in costs and prices would affect consumption have not so far materialised although grounds for concern still exist, says Mr. Lockwood.

Benefits are materialising from the investments in plant for automated drinks, which has been helped by the hot summer weather but to some extent curtailed by slow deliveries of cans.

The outlook for the canned meat trade is still clouded except in Holland where sales and profitability improved in the first quarter of the current year and should continue so to do. Some progress has been made in this country in reduction of costs by concentration on fewer lines, but the full benefit of this and other economies will only begin to show next year.

While there has been a substantial improvement in cash flow in the past year in the present uncertain economic climate capital expenditure is being kept to the minimum essential for the maintenance of efficient working operations in the factories. Year end group prospective capital expenditure is down from £784,000 to £188,000. Including £127,000 (£105,000) authorised but not committed.

Meeting, Long Sutton, Spalding, November 11, noon.

Chairman's statement Page 22

### Felixstowe Dock bid gets go-ahead

Dr. John Gilbert, the Transport Minister, has given the go-ahead for the British Transport Docks Board to make an offer for

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering the directors' report and accounts. Official indications are not available whether dividends considered are interim or final and the sub-dividend shown below is based mainly on last year's results.

**TODAY**  
Lockwoods Foods, London  
Rugby Portland Cement, Salisbury  
Stannard's, Salisbury  
The British Industrial Holdings, London  
The British Industrial Holdings, London

**FUTURE DATES**  
Birmingham Milk, Nov. 4  
Crested Eggs, Oct. 29  
Fidelity Radio, Oct. 29  
Georg Cross, Oct. 29  
Hawker Siddeley, Oct. 29  
Hill (Phillips) Investment Trust, Oct. 29  
L.L. Industrial Investments, Oct. 29  
Mandala, Oct. 29  
Scottish Overseas Investment, Oct. 29  
Spartan Investment Trust, Oct. 29  
Steel Bros, Oct. 29  
Sungel Road Mines, Nov. 6

**Electronic Machine**  
Despite difficult conditions, Electronic Machine Company continues to be profitable. It is well placed to take advantage of any upturn in the economy and of "opportunities which will surely occur in the future," says the chairman, Mr. Peter Tooker.

The company has a strong balance sheet, adequate liquid resources, and a strong management team to place your company on a path for sustained long term future growth," he tells members. A group corporate plan has been approved and strict financial controls introduced, which, together with a policy of applying under-utilised assets in pursuit of greater profitability, will give the company a sound base for growth, the chairman states.

Under the plan the group now has three distinctive divisions—aviation services, electronics, and mechanical and precision engineering. In addition a new products division has been established and a number of "interesting" projects are in hand.

In the year ended April 30, 1975, group turnover came to £16.1m.

## Electronic Machine

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## NEW AIR ANGLIA SERVICE PLANNED

A weekly service is to be started next summer from Norwich Airport to the Adriatic Coast by Air Anglia.

The airline, which is using the airport has gone up this year by 62 per cent, to 162,000 passengers, mainly because of flights involved with the North Sea gas and oil industry.

## RESULTS AND ACCOUNTS IN BRIEF

**GOODING INVESTMENTS**—Income for six months to April 30, 1975, £23,996 (£2,731) before tax (£5,547). Increase in income due to higher dividend received from Consolidated Plantations.

**JOHNSON AND BARNES**—Income for half year ended September 30, 1975, £1,540,132 (£1,489,380). Profit £27,214 (£26,581) after tax £1,513 (£1,463). Dividend £1,500,000 (£1,460,000). Earnings per 15p share 2.40p (2.14p). Dividend varied in respect of 30,100 shares.

**LOWLAND INVESTMENT**—Year ended September 30, 1975 gross income £1,253,441. Income £1,253,441 (£1,253,441). Management expenses £23,107 (£23,107). Net cash £1,230,334 (£1,230,334). Dividend £1,230,334 (£1,230,334). With effect from October 31, 1975, 50p.

## PAN-HOLDING S.A.

**Luxembourg**  
As of September 30, 1975 the company's net assets amounted to US\$ 64,149,473, i.e. US\$ 91.64 per share of \$ 10.—par value, after payment of the dividend for the year 1974 amounting to US\$ 2.—per share.

## THE GRIQUALAND EXPLORATION AND FINANCE COMPANY LIMITED

(Incorporated in the Republic of South Africa)  
Issued Capital — R597,500 in 2,390,000 shares of 25 cents each

## REPORT FOR THE QUARTER ENDED 30TH SEPTEMBER 1975

### UNAUDITED CONSOLIDATED RESULTS OF THE GROUP

	Quarter ended 30.9.75	Quarter ended 30.6.75	Nine months to 30.9.75
Operating results			
Development — metres	484	602	2,512
Ore milled — tons	134,000	115,000	365,000
Fibre produced — tons	13,590	11,862	37,919
Percentage fibre recovered	10.1	10.3	10.4
Revenue per ton	R269.0	R263.7	R266.4
Production costs per ton	R167.6	R155.5	R156.3
Selling costs per ton	R51.2	R49.1	R49.3
Financial results			
Operating profit	1,218	1,203	3,166
Profit after tax from non-mining subsidiaries	318	149	483
	1,536	1,351	3,649
Less: Interest paid	—	45	135
Profit before tax	1,536	1,306	3,514
Tax	175	174	428
Net profit after tax	1,359	1,132	3,086
Capital expenditure	496	261	1,021
Prospecting expenditure	74	79	201

Notes

- Consolidated results are given as information relating to the company only, could be misleading.
- Financial results are based on actual fibre shipments which vary from month to month and do not necessarily bear a pro rata relationship to production and sales for the year.
- Interim dividend No. 48 of 20 cents per share was paid on 21 August, 1975.

On behalf of the Board  
A. W. S. SCHUMANN } Directors  
C. H. WALTERS }

6 Holland Street  
Johannesburg  
20th October, 1975

## Wembley conferer centre booked more than 500 days

BY MICHAEL THOMPSON-NOEL

WORK ON London's first purpose-built conference centre, the showpiece of a £22m development on the 73-acre Wembley Stadium site, is progressing steadily. The centre, expected to be a big foreign exchange earner, should be open by next September.

The £22m complex will have a main auditorium for up to 2,700 delegates, five other lecture theatres, 32,000 square feet of exhibition area, committee rooms, restaurants and bars.

Mr. Ralph Miller manager of the centre, said at the weekend he had already received more than 500 days' worth of conference bookings to April, 1978, when 3,000 delegates of the American Society of Mechanical Engineers are expected at Wembley.

The Wembley site also includes a 400,000 music centre, a 400,000 squash area with 15 courts, a large office development, a multi-storey car park and the existing Empire Pool and Wembley Stadium.

Mr. James Harvie-Watt, Wembley's managing director, says that the conference centre's gross return on capital by the time it gets fully into the stride by 1979, should be around 15 per cent.

The occupancy will also be used for concerts from next September.

According to Mr. Miller, Wembley is open to launch a scheme for joint foreign marketing in co-operation with the organisers.

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## Sandelson recruits six

Financial Times reports SANDERSON and Co. are taking on employees all of whom worked at Gerald Kuller.

Sandelson said that four of whom were in the brewing industries and the firm added to its coverage of British and earlier this year Alt Sandelson announced.

They were planning to me Sandelson later which the two sides failed to co-operation with the organisers.

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Monday October 20, 1975

The arrival of the first oil from the Ekofisk field at Seal Sands on Teesside marks an important point in the development of this new energy source. The scale of the plant surpasses anything built in Europe and leads the way in a number of technologies.

has come through the worst of the demand depression still intact. After a year of pause, there is every sign that development is ready to pick up again.

There remain difficulties and the next few years will still be a time when governments continue to seek the right balance between incentive and control, between gearing up activity and ensuring that it does not place too much strain on local economies. Nor is it ever likely that the North Sea will return to the boom conditions of three or four years ago.

## Maturing

To this extent, Ekofisk and the other major early developments now maturing in the North Sea represent the end of one period and the beginning of a different, rather more mature phase of development when the pace of activity will be more ordered and when the enthusiasm of the oil companies will turn to new areas of interest offshore the U.S., South America, Asia and elsewhere. It is doubtful whether anyone will ever undertake the kind of projects that Phillips has done with quite the same spirit that they did. And it is doubtful whether the North Sea can ever be treated in quite the same spirit of bonanza which it once was. But Ekofisk, like Forties and Brent on the other side of the median line, has shown that it can be done. And, in doing this, they have set the seal on one of the most important as well as the most ambitious developments of post-war European history.

By ADRIAN HAMILTON

But the fact is that the oil now being pumped ashore to Teesside. And this fact, and the accompanying start-up to Forties Field production, in themselves mark the beginning of a new chapter not just for the North Sea but for European economic development as a whole. The Ekofisk group of fields are alone expected to produce some 7,500,000 barrels per day at full flow later in the decade. Forties alone is expected to produce some 400,000 barrels per day at peak, or about 20% per cent of U.K. requirements. And there are other, as yet, highly prolific fields off the Shetlands in the British sector of the North Sea. Further finds of associated and non-associated gas at Frigg, Heimdal, Statfjord and elsewhere could add another billion cubic feet per day or more.

With ultimate potential reserves in all sectors of perhaps 30-40bn. barrels of recoverable oil and ultimate reserves of perhaps 100 trillion cubic feet of natural gas, the North Sea has already established itself as the most important new natural resource to be established in Europe since the War. With a producing potential of about 4-5m. barrels per day and some 12bn. cubic feet per day of gas by the early 1980s, it is already destined to have a profound impact not

set off a spirit of almost un-  
strained optimism. Oil com-  
panies, big and small, flocked  
to gain new licences. Drilling  
rigs and production equipment  
from all over the world were  
pulled in to meet North Sea de-  
mands. Governments looked  
anew at the prospects of econ-  
omic growth, new employment,  
lower taxation and an end to  
their balance of payments woes.

In the intervening years, the  
edge of this optimism has been  
gradually worn-away. The early  
production schedules and cost  
estimates have been sadly  
disputed, based on the un-  
realities of working in the  
North Sea, the difficulties of  
scaling up structures and equi-

infation have intervened to  
share off profits, expectations, a  
broader economic development  
have begun to change the pic-  
ture that Governments had com-  
mitted to expect. The pace of explo-  
ration activity, which had once  
been expected to grow by as  
much as 50 per cent. this year  
has in fact plateaued out as com-  
panies have faced the combined  
pressures of rising costs, inter-  
national financial strains, a glut of  
oil on the market and, not least,  
continued political uncertainty.

France has proved a major  
obstacle to development, a  
barrier have begun to  
more stringent attitude toward  
corporate loans and have been  
shaken by the rise of engineer-

Governments in Norway and Britain have shown themselves in recent fiscal and other negotiations increasingly prepared to compromise and consult as the realities of oil-shortage have become clearer. Banks, although still cautious are beginning to search for ways round the current problems of projects financing and, judging by the degree of oil-expertise that they are continuing to build up, they still see in this area a major new loan market. World oil prices look more stable as OPEC

By the time a project such as Seal Sands is completed, at least three **Capper-Neill** companies will have been at work on site.

Each with a separate, distinct and substantial contract.

Each with a separate, distinct and substantial contract.  
Each with enormous responsibilities in its own right.

At Seal Sands, for example **Copper Pipe Service** has installed over 140,000 feet of pipework up to 48" in diameter.

**Capper-Neill International** has erected the ten largest oil storage tanks in Europe—each with a capacity of 26 million gallons of oil.

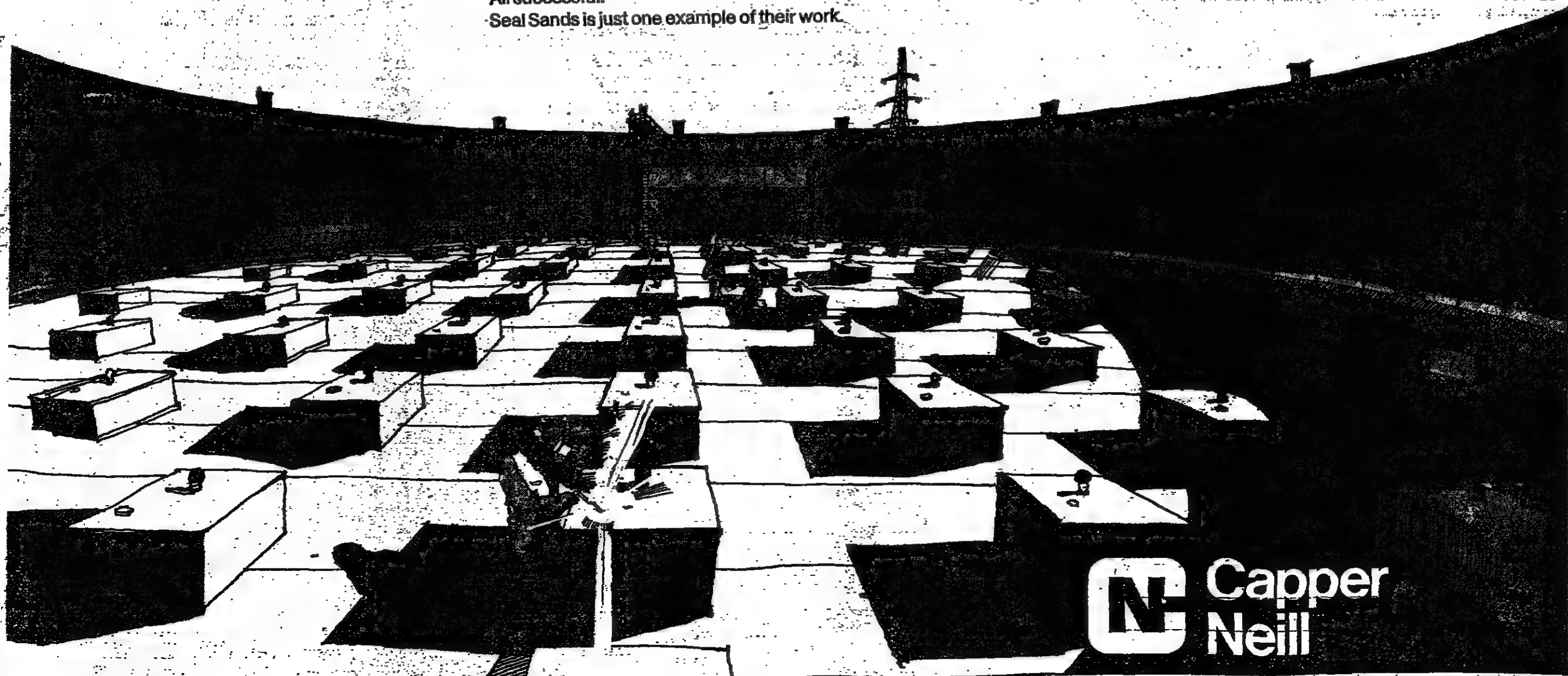
**Wm. Neill** has fabricated and erected five stabiliser columns, all of them over 180' high.

There are nearly 20 companies in the **Capper-Neill Group** as a whole.

**All growing.**

**All growing.  
All successful.**

**Seal Sands is just one example of their work.**



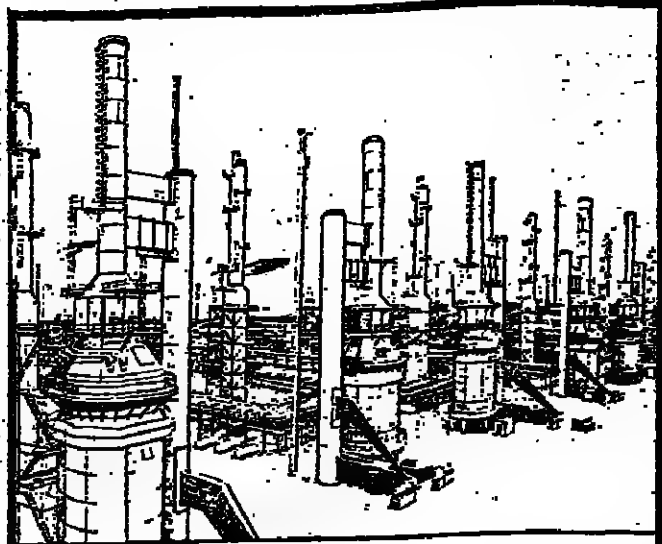
**Capper  
Neill**

<b>Pleaton</b> <b>Loward Ltd</b>	<b>Applied Research &amp; Engineering Ltd</b> Project Design	<b>Aqua Logistics (International) Ltd</b> Salmonid Deep Sea	<b>Copper-Nell</b> <b>Copper-Nell International Ltd</b> General Fabrication	<b>Copper-Nell</b> <b>Copper-Nell International Ltd</b> Storage and Process Plant	<b>Copper-Nell</b> <b>Copper-Nell Plastics Ltd</b> Thermoplastic Fabrication	<b>Copper-Nell</b> <b>Copper Pipe Services Co Ltd</b> Powerwork and Plant Installation	<b>Copper-Nell</b> <b>Copper Pipe Services Co (Ireland) Ltd</b> Powerwork and Plant Installation	<b>Williams H. Copper &amp; Co Ltd</b> Pipework Fabrication	<b>Joseph Hughes Ltd</b> Taps and Dies	<b>K. N. Laid &amp; Co Ltd</b> Refrigerant Fabrication	<b>St. Malague Ltd (St. Malague)</b> Process Plant Fabrication	<b>U.P.I. Instrumentation Ltd</b> Instrumentation	<b>W. J. Wignall Ltd</b> Bottle Washing and Filling Machinery	<b>W. J. Wignall Ltd</b> Refrigeration Plant
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## TEESSIDE OIL PLANT II

## The Ekofisk complex



High efficiency reboiler furnaces for maximum fuel conservation in processing North Sea crude, being supplied by Born Heaters for the Sim-Chem division of Simon Carves Ltd., at the Phillips Norway group's Sealsands stabilisation plant.



Born Heaters Ltd.  
Europa House, PO Box 171, Hove BN3 9R7  
Telephone: Hove (0273) 722811. Telex: 87285

EKOFISK MARKED the first major oil discovery in the North Sea. Together with the neighbouring fields around it, it still forms one of the largest and most ambitious developments offshore. North-West Europe and one that is unique in the special problems it has approached and the routes which the Phillips group has followed in its production programme.

From very early on in the series of successful discoveries which the Phillips group made first at the condensate Cod Field on block 7/11 in June, 1968, then on the Ekofisk block 2/4 in the following year with the consequential discoveries on West Ekofisk, Eldfisk and Edda in the next few years, it became apparent that it was dealing with a series of challenging parameters of action.

In the first place, it was apparent within a fairly short space of time that it had encountered a major oil bearing region which would support large-scale development. On

the other hand, the producing horizon was in Danian chalk and limestone, traditionally a "tight" zone presenting considerable problems of production and recoverability.

Second, it became apparent that the oil reservoirs contained exceptionally high gas/oil ratios, creating considerable added opportunities through the development of gas but equally posing problems of production if the gas was not to be flared and wasted as oil production built up.

## Trench

Third, development of the fields through any kind of pipeline transportation immediately came up against the presence of the deep-Norwegian Trench separating the fields from the Norwegian coast. Pipeline construction was still possible in several directions—west to the U.K., south to Germany and the Continent or alternatively south-east to Denmark. But the whole question of transportation

was thus bound to raise degrees of technical and weather problems and the more unexpected intervention of politics.

It is essentially within these parameters that the Phillips group have operated ever since. Early on, the essential production programme was based on a multi-phase development, in which Ekofisk itself would start producing on a limited scale via tanker loading, while two major oil and gas pipelines were laid and additional platforms ordered to take in the surrounding fields, with the virtue of providing both experience and an early cash flow. From the beginning, it was decided that the associated gas reserves were sufficient to warrant a separate gas line to come in as soon as possible after the oil line. From early on, it was realised that the group would have to get together to raise finance in phases to match the expenditure.

It is on this pattern that the development of Ekofisk has proceeded since, with varying

degrees of technical and weather problems and the more unexpected intervention of politics.

The first phase of production, involving the production of some 40,000 barrels per day of oil at peak through four wells, tied into a temporary jack-up platform and loading onto tankers. This was started in June 1971 and ended in April 1974, pioneering both the use of subsea wellheads on the producing wells and the use of single buoy mooring facilities for tanker loading. While this phase was starting to re-inject the gas, to an average of more than 200,000 barrels per day this year. Before this phase was really under way, Phillips had already started planning and ordering for a third phase of development to tie in the surrounding fields of Cod, West Ekofisk and Tor and to create the pipeline facilities to distribute both oil and gas to the market. It is this phase, which is now coming to maturity, with the opening of the Teesside terminal, that has provided the main expenditure and the main political drama.

Actual installation of the facilities, although it has taken considerably longer than first planned, has gone surprisingly well considering the pioneering nature of the programme. Laying of the 24-inch 220-mile oil pipeline from the Ekofisk Field to Teesside was commenced in 1973 and completed in 1974. Laying of the 270-mile 30-inch Emden gas was begun last year and completed this year. The production platform for the West Ekofisk Field was installed in 1974 while the platforms for Cod and Tor were put in place over this year. Completion of this phase, including first production from these additional fields and installation of all the processing facilities now being added to the Ekofisk storage tank, is scheduled for next year.

This in turn should enable the group to tie in the further facilities now being planned for the Eldfisk, Edda and Albuskjell (the latter field shared with Shell) reserves over the coming two years, despite some difficulties with certain of the platforms ordered. When fully operational in the latter part of the decade, the

Ekofisk group of fields will be producing some 700,000 barrels per day of oil and 2bn cubic feet of gas—dubbed equivalent of some like four times Norway energy needs—a revenue State of some 8-10bn. k year at a cost to the group of more than \$3.5 a continuous effort over years.

This second phase of Ekofisk development was commenced in December 1971 and production drilling from the permanent installations was begun at the end of 1973, with a gradual build-up of output, restrained partly by problems with the compressors to re-inject the gas, to an average of more than 200,000 barrels per day this year.

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## Setbacks

The story has not been without its setbacks a few. Problems on with the initial subsea installations meant that they had to be scrapped in F. Difficulties over construction delays build-up of production in winter. Ekofisk, like developments, has been all pressured by delay cost, installation.

The early years of development were soured for a time sudden demands by the giant Government for a cent stake in both the gas pipelines in addition to transport at no extra cost. Norway from Teesside, remains, even to-day, a stable disagreement between the Oil Directorate of Norway and the group over the size of recoverable reserves, producing potential of 1.

But the achievement for all to see. Six years the initial discovery. No assured of enough export revenue to revitalize its economic prospects, feedstock on which to new petrochemical industry a new place in the market to compensate decline in many of its traditional businesses.

For Europe, there start to a whole new development. For Britain is a \$120m. investment North-East and a new of secure crude. For industry, there is a ment which has provided of the experience now behind off-shore projects where.

## Process plant

THE process plant industry can draw encouragement from the Teesside terminal project for two particular reasons. First, it serves to illustrate that industrial development arising from North Sea oil and gas finds has opened up an important market for companies involved in the manufacture and installation of process plant. Secondly, it shows that U.K. contractors are in the "big league" that a project of this size does not automatically go to U.S. groups.

In the past the U.S. contracting giants have dominated Britain's oil refinery building programme because, in the main, they have been the groups with the back-up size and expertise to undertake such large ventures. According to the latest Chemical Age survey on international contractors, the U.S. still has the biggest four groups in the world, in terms of projects in hand. But, at the same time, Britain has seven among the world's top 50 including Davy Powergas in 11th place and Sim-Chem—the contractor awarded the main Teesside contract—in 27th place.

Probably more than any other U.K. company, Davy Powergas has set its sights on getting higher up the big league. Mr. Stanley Burns, deputy chairman of Davy Powergas in the U.K. and also responsible for the joint venture with Veba Chemie and German operations of the Davy Wacker-Chemie group to Group, pointed out: "It is our intention of being big in the process business. If you are going to build a really big complex, vinyl acetate. Sites in Scotland clients want the confidence of and the North-East of England

knowing that you have a substantial organisation behind you."

Davy International has already established three major centres, in the U.K., Germany and the U.S. Simon Engineering, with its Sim-Chem division and Simon Carves overseas companies, is another determined to have a larger, more internationally based process plant contracting business.

The strength of the contractors is important for they are in a position to place very large orders for process plant and equipment with U.K. suppliers. At present U.K. companies supply well over half the material on overseas contracts won by British contractors. Provided development work at Seal Sands progresses the way it has started, Britain will have enhanced its reputation of being able to build large processing complexes. This is important at a time when other massive developments are being talked about—many of them arising from the availability of North Sea hydrocarbons or, as the chemical industry sees it, assured supplies of feedstock.

Plans being considered by a group of West German chemical companies indicate the scale of such projects. Two of the world's largest chemical concerns—BASF and Bayer—have joined with Veba Chemie and German operations of the Davy Wacker-Chemie group to Group, pointed out: "It is our intention of being big in the process business. If you are going to build a really big complex, vinyl acetate. Sites in Scotland clients want the confidence of and the North-East of England

have been among those visited. An ethylene plant alone costs between £150m. and £200m. these days and several of these are planned for the next decade. But the investment potential ranges much wider; from spending on platforms and equipment to extricate the oil and gas from the North Sea to pipelines and processing equipment onshore.

ment of fields as yet undiscovered or tested. Moreover, there was likely to be some "carry-over" of the high level of expenditure forecast for this year and next.

This large base load of North Sea-associated work is particularly important to the process plant industry in that it helps to smooth the vicious trade cycle which has so bedevilled manufacturers in the past. The activities of the chemical industry have largely been responsible for this state of affairs. When they have been faced with hard times they have reduced investment programmes forcing process plant companies in turn to cut back on capacity, and more important, valuable staff. Consequently, when trade in chemicals picked up and investment confidence grew, process plant manufacturers found themselves hard pressed to meet orders on time.

The chemical industry is doing its best to overcome this problem. In particular ICI which is investing at the rate of £1m. a day at present, has stated its intention to even out the peaks and troughs of spending wherever possible. "Only by continuing to invest when trade turns down can we retain and expand our market when conditions improve again," the group maintains.

But it is likely that the North Sea exploration and development programme will be a major influence on process plant investment for many years to come. The question remains whether U.K. companies are as deeply involved in this North Sea business as it might be.

Sir Frederick Warner, chairman of NEDO's process plant working party, feels that plant and equipment manufacturers are missing out to overseas companies on much of this work. There were major weaknesses in the production of compressors and large diameter pipework, for instance.

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## Improving

In some respects, he said, he doubted whether "we are holding our own in this field." Figures published by the Department of Energy's Offshore Supplies Office show that British participation in the offshore workload is far from bad and certainly improving, however.

In the market as a whole, British companies had taken well over 50 per cent of orders where there was a U.K. capacity and capability. The U.K. content of orders for steel platforms last year amounted to some 64 per cent; for concrete platforms it was 37 per cent; and for modules it was 50 per cent. In the area of production plant, the figures were even higher—83 per cent of power generation equipment; nearly 90 per cent of the pump market and some 80 per cent of the orders for process plant in general.

The same figures also showed, however, that Britain had secured only 40 per cent of the market for compressors, thus backing up Sir Frederick's comments.

Clearly the North Sea-related industries have emerged as a vital and growing market for all companies involved in the process plant sector and considering the lack of past experience and association with this type of business, Britain has won a substantial share of the work available. All in all the process plant's record in this very specialised field could probably be summed up by the familiar school report phrase: "Has done well, but could do better."

Ray Dafter

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J. G. Peckston Limited were appointed by Simon-Carves Ltd., Sim-Chem Division as Agents for and on behalf of the Phillips Norway Group to assist in the co-ordination of the delivery of materials and plant equipment onto the Teesside site during the construction stage and are providing the following services:—

- Chartering of specialised vessels • Customs clearance of consignments at all U.K. ports of entry.
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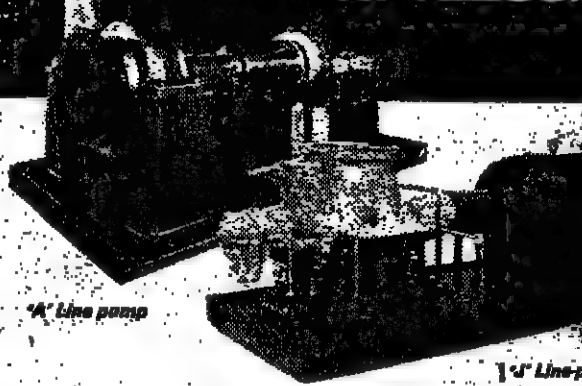
J. G. Peckston Limited are appointed site shipping agents for vessels loading at the Teesside terminal Natural Gas Liquid Products and Crude Oil berths. An on-site office manned round the clock with V.H.F. International marine radio provides complete coverage to all vessels and close liaison with terminal personnel.

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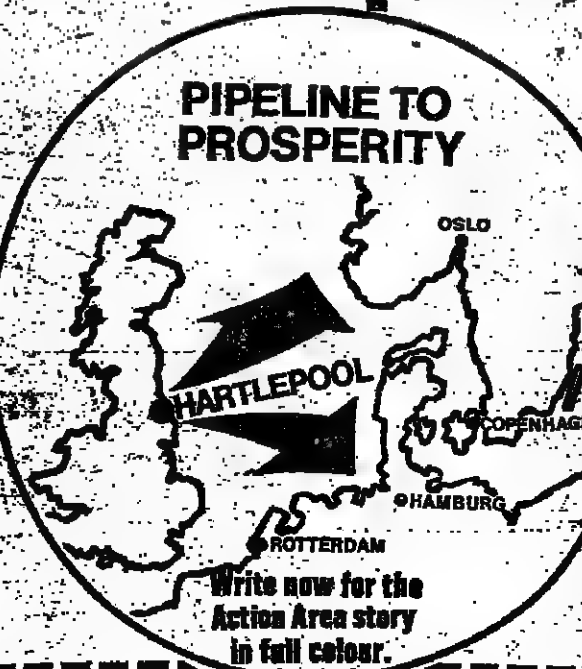
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INGERSOLL-RAND PUMPS  
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# Terminal's massive scale

£120m. PHILLIPS' project terminal on Teesside is the largest of its kind in the world. It is a complex of 1.5m. barrels a day against an average of 30 barrels a day, then the size of the project is apparent.

reover, it is a novel plant for the U.K.: a new mode. Up to now tankers arrived with crude from reducing areas for refining. U.K. With the Phillips terminal, tankers will arrive in t and leave with product. put it in its context, the oil is just part of a process involving the installation of the Ekofisk field production facilities, crude and gas lines and processing facilities in England and Germany. total cost is expected to be more than \$2.5bn, or around 1. at current exchange rates. Teesside was chosen as the main receiving base as it is about the closest suitable port to Ekofisk with deep sea

## Programme

The building programme is in two stages: the first is to get the oil ashore, to store it and to ship it out in tankers. The second, which should come on stream in about a year's time, will introduce an additional throughput of natural gas liquids. These will be separated, processed and shipped out by specialised tankers.

The Teesside terminal is at the end of a 34-inch pipeline from Ekofisk with deep sea

field, 220 miles away in the Norwegian sector of the North Sea. The oil takes no less than 28 hours to travel between the field and the processing facility.

As the pipeline process becomes established the initial single-point mooring facilities at Ekofisk will be phased out. Next year the 36-inch gas line to Emden, in Germany, should be completed and the methane-rich gas which is produced with crude oil will be piped to Germany for treatment and use on the Continent.

But what of the Teesside terminal? The processing facilities are split between the Seal Sands and Greatham sites which are two or three miles apart.

The main process plant is at Seal Sands where the raw crude oil and natural gas liquid mix is received from the pipeline. The crude is metered and then routed to four receiving spheres which provide surge capacity. These spheres, each with a capacity of 45,000 barrels, are 78 feet in diameter and are the largest of their type in the U.K.; just one of the many records held on the Teesside site.

From these spheres, which are fitted with mixers and heaters, the raw crude is then charged to the seven stabilisation units, six of which will be in service at any one time. Here the natural gas components are removed and the crude is stabilised.

The stabilised crude is then pumped to the Greatham site and stored in large floating-roof tanks, each capable of holding 750,000 barrels. The tanks have a diameter of 304 feet and a height of 60 feet and, like the Greatham Tank Farm itself, are reckoned to be the biggest in Europe.

Ten tanks, each the size of an American football pitch and in total costing over £4m, have been built by Capper-Neill International and reserve spaces for a further four units have already been cleared. (The Capper-Neill group, which is involved in about 17m. worth of work on the site, claims another record for another of its interests, William Neill and Son. This company built five of seven distillation columns, 180 feet high—the first time that a U.K. fabricator has built five columns of such a height on one site, it is claimed.)

The maximum design loading rate for crude oil at the tanker jetties is 300,000 barrels a day. Around 12m. cubic metres of sand and clay had to be dredged to develop the areas for the tanker jetties.

Product from the seven stabiliser units consist of natural gas liquids contaminated with water, sulphur compounds and carbon dioxide. This mix is then separated into high-purity ethane, propane, isobutane and normal butane products by a fractionation system. The fractionating columns range from 5 feet 6 inches to 14 feet in diameter, and from 86 feet to 200 feet in height. Up to 89 trays are required to ensure that separation between the top and bottom products is adequate.

## Computer

The NGL products are then stored at atmospheric pressure in refrigerated storage tanks at Seal Sands prior to being loaded into tankers.

The stabilisers and NGL fractionation columns, like so much of the site, is under com-

puter control. For example, two computers control the flow of oil to the four crude jetties. These two computers, which carry out all the necessary valve sequences and measure the amount of flow and temperature, are controlled, in turn, by the crude supervisor computer. This unit is also the control for the Greatham storage facilities.

Sim-Chem, the main contractor on the site, designed the controls aided by systems provided by Applied Automation, Kent Instruments and Aptomatic Systems. Serck Controls provided the telemetry link between the storage and loading areas and the operator communication and control system.

As a result of all this just one man sitting in the control room can push a button and set the whole pumping sequence in action (once he has been assured that the land line has been joined to the tanker).

According to Sim-Chem the philosophy has been for the computer "to take the load off the operator's back. It selects the tanks, the routing, the pumps, and then writes it all down for him."

Inevitably with such a massive venture, pollution and environmental control must be an integral part of design. For a start Phillips has to contend with the problem (novel in Britain so far) of tankers arriving empty and leaving with crude. Consequently ballast water has to be received and treated prior to being discharged into the River Tees. This treatment includes gravity separation, flocculation and filtration.

A low-level smokeless flare handles the small amount of gas flared for control purposes while an elevated flare, with steam injection for smokeless operation, will handle abnormal operation.

Fortunately, the low sulphur content of the North Sea crude oil, combined with the fact that virtually all the sulphur remains in the exported crude, means that atmospheric pollution by sulphur oxides is much reduced.

Here consultants Cremer and Warner, who carried out a thorough environmental study of the area came up with an interesting pollution side-light. They discovered, with the help of a specially-developed mobile unit, that natural sources of hydrocarbons—particularly methane from local marshes and sewerage works—would far outweigh anything that might escape from the plant.

## Challenging

For many reasons the Teesside project has been one of the most challenging to emerge from the new oil age. It was so big and challenging that it attracted no less than 37 tendering companies. Sim-Chem beat off competition from much bigger process plant contractors, including the American giants, to give the U.K. contracting industry a shot in the arm.

For, as Mr. Carl Post, Phillips' project engineer for the job, once commented: "It is the first time production, treatment and loading have been entirely tied together like this. Perhaps there's nothing here that has not been done before, but it has never been done on this scale."

Ray Dafter

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Monk are carrying out civil engineering and building work on the terminal facilities for Phillips, Monsanto, Simon Carves and Negas at Seal Sands on Teesside, providing for the reception and processing of oil from the North Sea.

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ALTHOUGH NO one can be said actually to like an economic recession, the North East of England has found aspects of the current one which are heartening. Whereas previous slumps have lifted unemployment in the region to round about twice the national average—indeed it is to be expected that when the south of England caught a cold, the north would have pneumonia—this time round the

employment situation in the North East when compared with the British average has actually been showing a steady improvement for the past twelve months. It is too early to be certain but it is a fair assumption that the long haul of industrial regeneration in the region to replace worn-out industries and redundant coal fields with new activities is now paying off to some extent. Clearly however the scales have finally been tipped in favour of the region, by the unexpected bonus of North Sea activity. There is unemployment in the region of course. And in some districts it is serious. But the new activities are ensuring that the cold winds of recession will not blow noticeably chillier in the region than in Britain as a whole.

Teesside has done better than the North East as a whole from the North Sea during these early years of exploitation and exploration. The set-piece is of course the Ekofisk terminal linking the area physically with North Sea oil. But many other links which have been developed are proving effective in giving Teesside a role in the North Sea. Construction for the oil and gas fields is one area. The supply of steel via the British Steel Corporation's complex (now being developed into one of Europe's leading steelmaking centres) is another. Shipping services are benefiting. So are a whole range of back-up and supply services.

At Graythorpe near Hartlepool some of the biggest oil production platform jackets in the world are being supplied to the North Sea companies by Laing Pipelines Offshore. Cleveland Bridge and Engineering are developing a new site on the Tees for module construction. Whessoe the Darlington-based company is building leg sections and very heavy modules for the North Sea.

## Modules

In Middlesbrough there is a growing range of activity. Wilson Walton Engineering have built a series production job the smaller types of gas jackets and modules and are responsible for the first conversion of a mobile rig to a floating production platform. Also in Middlesbrough Robinson/RDL are specialising in building accommodation modules for the rigs. Head Wrightson are busy on the Tees with fabrication and rig repair.

Other companies in the North East currently busy on North Sea work include Press Production Systems on Tyneside manufacturing all types of

modules. Williams Brothers Offshore also on the Tyne with a site for similar work. And the Middle Dock Company of South Tyneside specialising in converting vessels to drilling ships.

From the early 1960s onwards the North East Development Council—latterly the North of England Development Council—has promoted its part of England so vigorously that its work became a model for other regions to follow in their search for economic advancement. It was an uphill struggle in the early years when some of the bravest industrial ventures in the North East were confronted by obstacles well outside the control of the region itself. But the basic new pattern of industry was in and working by the beginning of this decade. Ever since it has been progressing fast as the true wealth of the North Sea oil and gas fields has become clear. Mr. Derek Foster, chairman of the Council, was able to report recently: "In the energy fields the Northern Region is now unchanged in its importance to the nation—not only as a primary producer of coal—but through its vast petrochemical complexes, natural gas network, nuclear power plants, conventional electricity generation, and the glittering bonus of pipelined oil from the North Sea."

Expansion is in the air among North East industrialists and businessmen in spite of national problems. So many of the activities they are involved in are continuing growth areas—and rapid growth areas at that. Industrial facilities and the labour situation are therefore, two potent factors which are being given close and continuing scrutiny both by companies wishing to expand and by the authorities concerned to secure balanced growth.

The Northern Region of England as a whole—including the more sparsely populated western coast areas—has a working population of 1.5m. and a growth of 2 per cent is forecast during the next five years. Much has been done recently to eradicate old and entrenched attitudes among the unions.

For instance, in the Tyneside area the Confederation of Shipbuilding and Engineering Unions, which represents 70,000 employees in that district, now provides comprehensive negotiating machinery to cover 22 industries. Meanwhile, there is a reservoir of industrial skills which is still there to be tapped by new companies: although a certain amount of retraining is needed. The swift run-down of traditional North-East heavy manufacturing all types of

years is responsible for that reservoir of good labour. It is not a situation likely to persist for it is the result of a "once-and-for-all" happening. That point is being well made by the North-East authorities and is being appreciated by a number of companies. More than 100 American and European firms have decided to take advantage of the labour availability while it exists and have moved into the region since the middle 1960s.

Training and retraining is benefiting enormously now from the Government's new energy in that direction. The North now has six "Skillcentres" with full-time places for 2,000 men covering 45 different trades.

## Employment

The changing pattern of North-East activity can be seen from the following figures comparing 1960 with 1973. Employment in electrical engineering has risen from 40,000 to 55,000; in instrument engineering from 1,500 to nearly 5,000; in services of all kinds from under 300,000 to over 400,000.

The availability of land is crucial to the further development of the North-East. The region feels, with reason, that it can cope with almost any demands put upon it by further industrial growth. The three rivers—the Tyne, the Wear, and the Tees—act as excellent focal points for growth as well as being the arteries to North Sea activity and foreign trade.

There are now some 20,000 acres of land earmarked for industrial use in the region and the North of England Development Council claim that much of it is immediately available. Part of it is there ready and waiting as the result of strenuous efforts by the local authorities to make land available by site clearance and reclamation programmes. The English Industrial Estates Corporation has its national headquarters in the region at Gateshead. Government industrial estates have been developed in a number of parts of the region.

The North East region's problems are not over yet. Much has still to be done to soak up the pockets of unemployment which usually go hand-in-hand with local situations of run-down industry. Much has also to be done to clean up the region and remove the worst scars of 19th-century industry. But enough has been done already to give the region confidence in its own future based upon its new industries and the North Sea.

Roy Hodson  
Regions Editor

## The buck stops here

But it wasn't a game of poker. It was responsibility for the entire Phillips Norway Group/Statoil receiving, processing, storage and loading facilities at Teesside for up to one million barrels a day of North Sea oil. And it was Sim-Chem's.

Sim-Chem was chosen as main contractor from 37 tendering companies. The project ranges from brawn to brains, from vast crude oil stabiliser trains to a highly sophisticated computer controlled loading system. Putting a complex of this size and type under single unified control has seldom been attempted before. But this is the kind of operation Sim-Chem takes in its easy stride, with a design staff a thousand strong, an experience that covers the world and the capacity to field a full range of project management services to oil refinery, petrochemical and chemical industries.

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Financial Times Survey 1975







INDUSTRIALS - Continued

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0

INDUSTRIALS - Continued

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0

PROPERTY - Continued

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0

TRUSTS, FINANCE, LAND

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0

TRUSTS - Continued

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0

MINES

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0

CENTRAL RAND

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0

EASTERN RAND

Stock	Price	Div	Yield	Vol	High	Low	Open	Close	Change
Aluminium	220	10	4.5	100	225	215	220	220	0
British Steel	180	12	6.7	50	185	175	180	180	0
Imperial Chemical	150	8	5.3	80	155	145	150	150	0
Johnson & Johnson	120	6	5.0	30	125	115	120	120	0
Shell	100	5	5.0	40	105	95	100	100	0
Unilever	90	4	4.4	20	95	85	90	90	0
Woolworth	80	3	3.8	10	85	75	80	80	0
British Petroleum	70	2	2.9	5	75	65	70	70	0
Glaxo	60	1	1.7	2	65	55	60	60	0
ICI	50	1	2.0	1	55	45	50	50	0
Roche	40	1	2.5	1	45	35	40	40	0
Smith & Nephew	30	1	3.3	1	35	25	30	30	0
Glaxo	20	1	5.0	1	25	15	20	20	0
ICI	10	1	10.0	1	15	5	10	10	0
Roche	5	1	20.0	1	10	2	5	5	0
Smith & Nephew	2	1	50.0	1	5	1	2	2	0



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## Companies may hold petrol rise to 4p

BY ADRIAN HAMILTON

THE FIRST oil company applications for a price rise averaging around 4.5p per gallon across the full range of oil products, are expected to be made to the Prices Commission this week. The increases will be in response both to the recent OPEC rise in crude prices and the weakening of the pound.

Most companies are still at a very early stage in preparing their figures, but the first indications are that they will not wish to lead the increase on to petrol this time.

Instead, a number of companies appear to feel that the rises should be spread fairly evenly across the product range, the main emphasis perhaps being on gas and heating oils, at a rise of around 5p per gallon, and a slightly smaller increase of possibly 3.4p per gallon on petrol and fuel oils.

This would be in direct contrast to the two previous occasions when, encouraged by the Government, the oil companies loaded the main line of price increases on to the motorist.

But the Government's view this time has still to become apparent. While the Energy Department has allowed its specific power to fix the maximum price of petrol to lapse, it still has the covering legislation to enable it to introduce a new Order in Council to reassert this power. It could also—as it has done in the past—exercise considerable unofficial pressure on the oil companies.

### Preference

Although Mrs. Shirley Williams, Prices Secretary, has publicly stated her preference for loading any increase on to petrol, officials in the Department of Energy seem much less decided on this point. There also is growing political pressure on the oil companies.

## EEC Ministers press Callaghan on energy talks

BY ANTHONY ROBINSON

ROME, Oct. 19

THE NINE Common Market Foreign Ministers and President Francois Mitterrand met informally this week-end at the late Renaissance villa La Marlia, near Lucca, with no fixed agenda but a clear priority to try to persuade British Foreign Minister, James Callaghan, to accept a single Community voice at the consumer-producer energy and raw materials conference in Paris this December.

The only official comment on these talks was that discussion over the energy question had been very frank, and that German Foreign Minister Hans Dietrich Genscher reportedly told a West German TV crew that Mr. Callaghan had been subject to considerable cross-questioning, but implied that there has been no change in the U.K. position.

The European Council of Ministers is due to meet in Rome on October 30 to prepare the agenda for the summit conference of Community Prime Ministers, also in Rome, at the start of December, and this is expected to provide a last opportunity to persuade the U.K. to accept one Community voice at the energy conference. The deadline is November 15, on which date French President Giscard d'Estaing is due to extend formal invitations to the conference.

Jonathan Carr adds, from Bonn: West Germany remains hopeful a compromise may yet be reached in the dispute over Britain's demand for a separate seat at the forthcoming energy and raw materials talks in Paris. Foreign Minister Hans Dietrich Genscher indicated as much when he returned here from the informal talks at Lucca.

He said he felt there had been a will on all sides to come to a joint position on the matter. This had not been possible this time, but he had left the meeting with the feeling that the last word had not yet been spoken.

His comment matches similarly conciliatory remarks last week from other German officials following an exchange of letters between Chancellor Helmut Schmidt and Prime Minister Harold Wilson.

The German leader had stressed his belief that the EEC should act as one at the Paris gathering. Mr. Wilson's reply made clear Britain would continue to seek its own place.

Nonetheless, Bonn is clearly not taking no for an answer. There is evidently a belief that Britain may have adopted its position as a negotiating tactic to draw special attention to its value to the Community as a future oil producer.

It remains unclear, however, whether there is some firm evil intention to support this German Report, on European Union, and belief.

### Lacnic

The Foreign Ministers apparently asked their host, Italian Foreign Minister Mariano Rumor, to release only the briefest of communiqués in order to reinforce the informal and off-record nature of this kind of "freestyle" meeting. Hence a laconic concluding statement that the Ministers in nine hours' discussion went over European political co-operation, the Tindemans declaration to support this German Report, on European Union, and belief.

## Wilson offers talks on Scots newspaper

BY CHRIS BAUR, SCOTTISH CORRESPONDENT

THE PRIME MINISTER last night offered to meet representatives of the workers' co-operative running the ailing Scottish Daily News in Glasgow. He will explain why the Government refused to save the enterprise with a further injection of funds.

Mr. Wilson had at first discouraged such a meeting requested by the co-operative's leaders over the week-end. He has again made it clear, however, that there is no prospect of the Government buying back from its position.

But the paper's editor, Mr. Nathan Goldberg, said last night: "Obviously we entertained the hope that the Government might still change its mind."

Mr. Wilson has invited the paper's directors to meet him and Ministerial colleagues at Downing Street to give a full explanation of what he acknowledges is the "hard" decision by Government not to go beyond the £1.2m. it loaned when the project was launched by former Beaverbrook employees in May. The meeting takes place to-morrow.

Meanwhile, the co-operative leaders will probably have to take the critical decision this week on how long the five-month-old newspaper can continue to be published.

The co-operative governing body will meet to-day and will report to the 500 employee-shareholders on the project's dire financial situation. The meeting comes after the Government's refusal last week to give a further cash injection.

Mr. Wilson told the co-operative that the Government's position had been stated clearly by Mr. William Ross, the Scottish Secretary. It has refused either to provide the minimum £250,000 sought by the newspaper beyond the £1.2m. already loaned, or to relinquish part of its security on the printing premises as a means of raising the capital privately.

In the absence of fresh capital, the worker-directors have to decide when to cease trading. Mr. William Ross, a works council member, said: "We have got to decide on that this week."

The company denies that it is unable to meet the £30,000 weekly bill. Mr. Alister Blyth, co-operative chairman, said: "We have told the world force that no one would be asked to continue working unless their wages were guaranteed."

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## Vauxhall reduces price of its Chevette L

FINANCIAL TIMES REPORTER

VAUXHALL MOTORS is reducing the price of its popular Chevette L model by £35 to £1,760 from to-day.

This comes as part of the company's review of prices of all its cars. Recently Vauxhall cut the prices of the two Viva E models and the lowest cost Chevette to £1,635. Previously the Chevette L was £1,795. The recommended U.K. price of the Chevette L comes to £1,795, VAT £1,930.35.

Mr. Hal Carpenter, Vauxhall marketing director, said: "These are tough times, but we are quite certain that by halving the prices of the two Viva E models and the lowest cost Chevette to £1,635, we have made the Chevette L more competitive than ever."

## P & O talks with Eagle seamen resume to-day

BY STEWART DALRY

SEAMEN on the ferry Eagle were last night still refusing to allow passengers to take their cars to get to their destinations. They are demanding compensation from the owners of the ship, P & O, since they say the recent sale of Eagle to a French company means they face unemployment.

Talks between National Union of Seamen representatives and P & O have been taking place on board the Eagle over the weekend and will resume to-morrow as no agreement has yet been reached.

About 50 seamen are refusing to unload some 40 cars. In all 165 seamen are involved in the dispute, which started last Friday when the Eagle docked most of the 60 passengers who arrived accepted P & O's offer to provide hire cars to get to their destinations.

Seven passengers were still on board last night, refusing to leave ship, P & O, since they say the recent sale of Eagle to a French company means they face unemployment.

It seems likely that Mr. Peter Shore, the Trade Minister, who has been taking place P & O will face some tough questions in the House of Commons over the affair to-day. Mr. Terence Higgins, the "shadow" Trade Secretary, said yesterday that he would attempt to table an emergency private notice of question.

THE LEX COLUMN

## U.S. holds back composites

The upturn in the composite underwriting cycle has taken much longer to arrive than expected—with half-year losses for the seven majors increasing by £33m—and the main reason has been a further deterioration in the U.S. Between the first six months of 1974 and the first year losses rose from an average of 5.4 per cent of premium income to 8.5 per cent, with the main setback coming from the motor lines. Political influences ahead of the 1976 U.S. elections have helped to limit rate increases to around 14 per cent over the last two years, at the same time as claims costs have risen by roughly a quarter and claims frequencies have returned to mid-1973 levels.

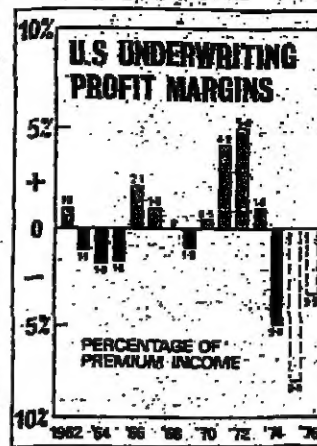
These pressures are not only delaying the recovery but are also making it doubtful whether profits will return to the level at the top of the previous cycle in 1971-72, according to a new study from brokers, Wood Mackenzie. They believe the cycle will bottom out this year, with reduced losses in 1976, and more or less break even in 1977.

The strongest initial recovery is likely to be shown in commercial property and liability lines after big rate increases. This trend should favour Sun and Royal, the latter having cut back its general liability exposure by about a half.

In contrast, the turnaround is likely to be slower in motor and other personal lines, so that GA, with 46 per cent of its premiums from motor, is not expected to show a significant advance until the second half of 1976. In addition, CU is suffering from its big involvement in states where motor rates are currently inadequate—notably Massachusetts.

Although the relative importance of the U.S. for the U.K. groups is less than it was five years ago, this market still accounts for over a third of the non-life business of Royal, CU and GA. And the impact of the U.S. is shown by the fact that CU and GA are the only two companies expected by the brokers to show an increased overall underwriting loss this year, against the general background of improvements in Canada and Australia, and the continued profitability of U.K. fire business.

Apprehension about U.S. trends has held back composite shares over the last three months after their strong relative performance earlier in the year. So the brokers now reckon that Eagle Star, Sun, Guardian Royal and Royal are attractive with earnings rises



sector demand for cred next year. At that, Chancellor will be on the banks to admit policy of "general". For the stock market monetary warning is to be flashing, though not yet at red.

### Valuation

In the Lewis Carroll property valuation, the Institution of Chartered Accountants has issued a note, full of sensible advice, which is being disregarded. Only a leading quoted company valued this year, and some of these come up to the standards of the latest Note. This stresses for all valuations to open market basis, not that any addition such as "between will and willing seller," is a different basis. It was used by Land valuers and in the note to the British accounts.

The distinction is since while open assumes a willing seller and is thus distorting the special time forced sale, it is also from a willing buyer since nothing for granted about the of buyers—recognising, for example, the scarcity of large and open market basis is produce lower values than higher value market and higher value buyer/willing seller.

The need for criteria to be stated recognised in the RICS Valuation Certificate lines of audit, included by Land Sec its 1975 report. The RICS can on its members, whose determined by the instructions. And Guidance Notes have a partial improvement standards, no surveyor publicly qualified a when his client has from the previous approach. The issue, ever, been put in a by the Sandilands property companies, value annually and non companies every three years. The RICS profits misuses the argument impossible to value it.

### Money supply

Just how serious is the Government in talking about a money supply policy? The question, crucial for interest rates and the behaviour of the capital markets, is again highlighted by to-day's further evidence of a renewed upsurge in the money supply figures, with M1 (the narrowly-defined version) showing a rise of 2.3 per cent in the month to mid-September. In the last three months M1 has been growing at an annual rate of around 25 per cent. The broader version of the money stock M3 has also shown an acceleration, though on a more modest basis. And the figures would have been substantially worse without a somewhat dangerous reliance on large sales of Treasury bills.

Last Thursday night Mr. Gordon Richardson commented approvingly on the way that M1 has been growing less fast over the past year than money national income, but on the most recent trend this is scarcely continuing to be so. And the Chancellor would not be too concerned about periods of a few months' when money supply expanded faster than money GDP. On this point there appeared to be the makings of a serious difference of opinion between the Governor and Mr. Healey.

All the signs are that official monetary policy is in a middle. The most recent rise in M1 on October 3 had an indecisive flavour to it, and the authorities are plainly fearful of the potential crunch when private

## Japanese company with debts of £240m. allowed to rebuild

BY CHARLES SMITH

TOKYO, Oct. 19

KOHLIN COMPANY, the textile concern whose collapse at the end of August set a record in Japanese business failures and led to a change in the Government's economic policy, has been given permission to reconstruct itself under Japan's corporate rehabilitation law.

The Tokyo district court which granted the Kohjin application on Saturday has appointed an external receiver with instructions to draw up a "rescue" programme for the company by November 1976.

The man appointed, 78-year-old Mr. Taneko Hayakawa, is a specialist in the art of company reconstruction, having presided over the rehabilitation of Japan Special Steel Company, of which he is now chairman.

Mr. Hayakawa said after the court's announcement that he would probably spend "the rest of his life" on the Kohjin case. Detailed rehabilitation plans would take two or three years to work out, he said, and their complete implementation several more years.

When Kohjin failed with debts, excluding those of subsidiaries, totalling Yen 150bn. (£240m.), most business observers felt that the company's case was hopeless and that a plea for rehabilitation would almost certainly be rejected.

Since then, however, Kohjin seems to have been remarkably successful in getting its affairs back into order, and in gaining the sympathy of the trading companies and banks which are its major creditors.

The company has continued to obtain raw materials and fuel for its textile plants from major trading companies, some of which have been accepting payment in bills drawn on other first-class companies (credit sales to Kohjin are banned under the terms of the rehabilitation law). Thanks to the supply of raw materials, the company has succeeded in operating at 85 per cent capacity at its textile factories.

Kohjin's worst problem is the huge accumulation of unsaleable property which it acquired in the early 1970s when it was trying to diversify out of textiles. Its property holdings are valued at about Yen 45bn. Before applying for rehabilitation the company had attempted to hive off its property section, but the plan was rejected by its three main banks.

The Kohjin failure was treated as a danger signal for the Japanese economy, when the news first broke, not least because of the expected impact on smaller companies throughout Japan, which had business relations with Kohjin.

The Government took emergency action to ward off a chain reaction of smaller bankruptcies. One measure was to introduce a special entitlement to long-term low-interest credit up to a maximum of Yen 50bn. for small or medium-sized companies certified by municipal authorities to have been affected by the Kohjin disaster.

Kohjin's company union, which enjoyed good relations with the management before the collapse, has waged a successful campaign since the end of August to avoid lay-offs or dismissals. Almost all the 3,300 workers are still employed.

## Smith effort to appease Vorster

BY TONY HAWKINS

SALISBURY, Oct. 19

AFTER giving a reception to mark Republic Day in Bulawayo to-morrow, the Rhodesian Prime Minister, Mr. Ian Smith, is due to fly to Pretoria accompanied by three Cabinet Ministers for his fourth round of talks this year with Mr. John Vorster, the South African Premier.

The Rhodesian Cabinet team, which includes Mr. Roger Handberg, Transport Minister, Mr. David Smith, Agriculture Minister, and Mr. Rowan Croxall, Labour Minister, aims to patch up Rhodesia's relations with South Africa.

Only last week Mr. Smith set off a further deterioration in relations with the Republic when he claimed on TV that Rhodesia might well have secured a settlement by now had it not been for Mr. Vorster's detente initiative last October.

Since the broadcast Mr. Smith has been publicly criticised by Mr. Vorster, by two other South African Cabinet Ministers and by the Press.

Mr. Smith appreciates, however, that more than an explanation is expected of him. He will be under pressure to take a fresh initiative to resume the stalled settlement talks.

### Weather

U.K. TO-DAY

FOG AT first. Sunny periods. Some rain in W. areas.

London, E. S.E., N.E. and Cent. England, E. Anglia, Midlands. Early fog. Sunny periods. Wind S.E., light. Max. 12C (54F).

Channel Is., S.W. England. Cloudy, sunny intervals. Wind S.E., light or moderate. Max. 14C (57F).

Wales, I. of Man, S.W. Scotland, Glasgow, N. Ireland. Cloudy, rain at times. Wind S., fresh or strong. Max. 12C (54F).

### BUSINESS CENTRES

City	Day	Temp	City	Day	Temp
Alexandria	20	28	Luxemburg	19	8
Amman	19	11	Madrid	19	14
Athens	19	11	Manchester	19	13
Bahrain	19	27	Moscow	19	14
Batavia	19	27	Munich	19	14
Beirut	19	27	Nairobi	19	14
Bombay	19	27	Paris	19	14
Buenos Aires	19	27	Rome	19	14
Calcutta	19	27	Sydney	19	14
Cairo	19	27	Tokyo	19	14
Canton	19	27	Wellington	19	14
Cebu	19	27	Zurich	19	14
Colon	19	27			
Copenhagen	19	11			
Dublin	19	11			
Hankow	19	27			
Hong Kong	19	27			
Kobe	19	27			
London	19	11			
Lyons	19	11			
Manila	19	27			
Medan	19	27			
Meppen	19	11			
Moscow	19	14			
Mumbai	19	27			
Nagasaki	19	27			
Nanking	19	27			
Norfolk	19	11			
Osaka	19	27			
Perth	19	11			
Port of Spain	19	27			
Rangoon	19	27			
Reykjavik	19	11			
Riyadh	19	27			
Singapore	19	27			
Sourabaya	19	27			
Taipei	19	27			
Tientsin	19	27			
Tokyo	19	27			
Toronto	19	11			
Yokohama	19	27			
Zurich	19	14			

Borders, Edinburgh, Dundee. Coastal fog. Cloudy, sunny intervals. Wind S., light or moderate. Max. 11C (52F).

N.W. England, Lakes. Cloudy but dry. Fog early. Wind S., moderate. Max. 12C (54F).

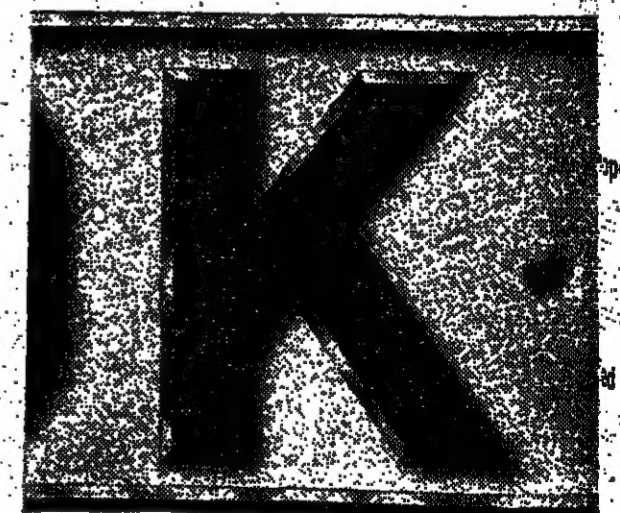
Cent. Highlands, Argyll, N.W. Scotland. Cloudy, rain at times. Wind S., strong to gale. Max. 10C (50F).

Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland. Cloudy, sunny intervals. Wind S., fresh or strong. Max. 10C (50F).

Outlook: Mostly dry, bright intervals. Lightning up. London 18.29, Manchester 18.34, Glasgow 18.37, Belfast 18.47.

### HOLIDAY RESORTS

City	Day	Temp	City	Day	Temp
Alicante	19	11	Jersey	19	14
Amman	19	11	Las Vegas	19	14
Athens	19	11	Los Angeles	19	14
Bahrain	19	27	Madrid	19	14
Batavia	19	27	Moscow	19	14
Beirut	19	27	Munich	19	14
Bombay	19	27	Nairobi	19	14
Buenos Aires	19	27	Paris	19	14
Calcutta	19	27	Rome	19	14
Cairo	19	27	Sydney	19	14
Canton	19	27	Tokyo	19	14
Cebu	19	27	Wellington	19	14
Colon	19	27	Zurich	19	14
Copenhagen	19	11			
Dublin	19	11			
Hankow	19	27			
Hong Kong	19	27			
Kobe	19	27			
London	19	11			
Lyons	19	11			
Manila	19	27			
Medan	19	27			
Meppen	19	11			
Moscow	19	14			
Mumbai	19	27			
Nagasaki	19	27			
Nanking	19	27			
Norfolk	19	11			
Osaka	19	27			
Perth	19	11			
Port of Spain	19	27			
Rangoon	19	27			
Reykjavik	19	11			
Riyadh	19	27			
Singapore	19	27			
Sourabaya	19	27			
Taipei	19	27			
Tientsin	19	27			
Tokyo	19	27			
Toronto	19	11			
Yokohama	19	27			
Zurich	19	14			



## Tight monitoring of car industry recommended

By Richard Evans, Lobby Correspondent

TIGHT MONITORING of the performance of any motor company which receives public money is recommended in a confidential Government report just presented to Ministers.

The report, drafted by the Central Policy Review Staff—the "Think Tank"—examines factors on both the domestic and international fronts likely to affect the size and performance of the British car industry over the next 15 to 20 years.

It was concerned with the future of the whole industry and not just with Leyland, but clearly the report could have major implications for future public investment in the company.

The study was started in January, well before publication of the Ryder recommendations on the rescue of British Leyland. It will now be studied by the Cabinet and by the Ministers most concerned, notably Mr. Eric Varley, Secretary for Industry. No decision has yet been taken on publication, but most CPSRS reports remain confidential.

If the recommendations are accepted they should provide the guidelines for the investment of the £1,500m. Government stake in Leyland urged by Lord Ryder.

## Important notice to all owners of motor vehicle with registration marks ending with K.

The transfer of vehicle records to the Drive and Vehicle Licensing Centre at Swansea began last March (as announced in the press) and applied to vehicles with L, M and N registration. From 1st November, 1975, vehicles with K registrations will be affected.

If you own a K-registration vehicle and renew its licence with effect from 1st November or later, you will get a new tax disc just as you have always done. But your log book will be sent to Swansea so that a new record of your vehicle can be made there. The log book will be replaced in due course by a new registration document. This will be posted to you, so please make sure that your current vehicle log book shows your full correct name, address and postcode.

A receipt will be issued to cover the period between the handing-in of your log book and the arrival of the new registration document.

All this will happen automatically and you need do no more than ensure that the log book details are correct and clear.

Issued by the Driver and Vehicle Licensing Centre, Swansea SA6 7JL.

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